**Chapter 10: Supplier Management**

**Test Bank**

**Multiple Choice**

1. The services and information a company acquires from its vendors is \_\_\_\_\_\_.

a. tangible

b. intangible

c. finished goods

d. raw Materials

Ans: B

Cognitive Domain: Knowledge (Remember)

Learning Objective: 10-1. Identify the goals of supplier management.

Answer Location: Supplier Management and Its goals

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

2. Which of the following is NOT one of the main goals of supplier management?

a. to ensure the supplier meets quality standards

b. to promote ethical behavior

c. to maximize the total costs

d. to develop innovative products/processes

Ans: C

Cognitive Domain: Knowledge (Remember)

Learning Objective: 10-1. Identify the goals of supplier management.

Answer Location: Supplier Management and Its Goals

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

3. COPQ is \_\_\_\_\_\_.

a. cost of proper quality

b. cost of poor quality

c. cost of process quality

d. cost of premium quality

Ans: B

Cognitive Domain: Comprehension (Understand)

Learning Objective: 10-1. Identify the goals of supplier management.

Answer Location: Meeting Quality Standards

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

4. Any problems with quality can lead to \_\_\_\_\_\_.

a. increased throughput

b. factory shutdowns

c. increased revenue

d. customer satisfaction

Ans: B

Cognitive Domain: Comprehension (Understand)

Learning Objective: 10-1. Identify the goals of supplier management.

Answer Location: Meeting Quality Standards

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

5. COGS is \_\_\_\_\_\_.

a. condition of goods sold

b. cost of goods supplied

c. condition of good supplies

d. cost of goods sold

Ans: D

Cognitive Domain: Knowledge (Remember)

Learning Objective: 10-1. Identify the goals of supplier management.

Answer Location: Minimizing Costs

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

6. Total cost of ownership \_\_\_\_\_\_.

a. is the purchase price of the supplies

b. includes the overall costs (both direct and indirect) of purchasing, inspecting, handling, transporting, and disposing

c. is the selling price of the supplies

d. is the pocket price of the supplies

Ans: B

Cognitive Domain: Comprehension (Understand)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Minimizing Costs

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

7. Which of the following is NOT an example of post-transaction costs?

a. cost of returns and product recalls

b. cost of poor quality

c. damage to a company’s reputation

d. cost of evaluating suppliers

Ans: D

Cognitive Domain: Analysis (Analyze)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Minimizing Costs

Difficulty Level: Hard

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

8. The supplier management process consists of \_\_\_\_\_\_ tasks.

a. five

b. eight

c. seven

d. nine

Ans: C

Cognitive Domain: Knowledge (Remember)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: The Supplier Management Process

Difficulty Level: Hard

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

9. Which of the following is NOT a task in the supplier management process?

a. supplier information management

b. supplier human resource management

c. supplier phase-out

d. strategic sourcing

Ans: B

Cognitive Domain: Comprehension (Understand)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: The Supplier Management Process

Difficulty Level: Hard

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

10. Which of the following is false about strategic sourcing?

a. It is a systematic process.

b. It focuses on the long term.

c. It aligns the firm’s purchasing strategies with its overall strategy.

d. It deals with day-to-day procurement of goods and services.

Ans: D

Cognitive Domain: Application (Apply)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Strategic Sourcing

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

11. This type of risk occurs due to cost escalations because actual services required by the client varied from the estimates or the costs were not calculated in the first place.

a. cost risks

b. failure to deliver the needed services on time

c. failure to realize the expected cost savings

d. security risks

Ans: C

Cognitive Domain: Comprehension (Understand)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Service Provider Risk Management

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

12. Which of the following is NOT one of the purposes of a spend analysis?

a. to determine what products the firm is spending the most money on

b. to determine if the company is getting what has been promised for the money spent

c. to determine which suppliers the company is spending on

d. to determine what the competitors’ strengths and weaknesses are

Ans: D

Cognitive Domain: Knowledge (Remember)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Analyzing Spending Patterns

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

13. Which of the following is NOT one of the factors to contribute to a successful spend analysis?

a. company-wide spending visibility

b. enterprise-wide data classification schemes

c. capability to audit, detect, and correct inaccurate data

d. unavailability of accurate, timely, and detailed expenditure data

Ans: D

Cognitive Domain: Application (Apply)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Analyzing Spending Patterns

Difficulty Level: Hard

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

14. The main purpose of evaluating the supplier market is \_\_\_\_\_\_.

a. to choose purchases with greater cost effectiveness

b. to maximize supply-related risks

c. to choose purchases based on requirements

d. to minimize future purchases

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Evaluating the Supplier Market

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

15. The strategic sourcing process consists of \_\_\_\_\_\_ steps.

a. six

b. seven

c. five

d. eight

Ans: A

Cognitive Domain: Knowledge(Remember)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Strategic Sourcing

Difficulty Level: Hard

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

16. MRO (maintenance, repair, operations) items are examples of \_\_\_\_\_\_.

a. noncritical purchases

b. strategic purchases

c. bottleneck purchases

d. leveraged purchases

Ans: C

Cognitive Domain: Knowledge (Remember)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Developing a Sourcing Strategy

Difficulty Level: Hard

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

17. Office supplies are an example of \_\_\_\_\_\_.

a. leveraged purchases

b. noncritical purchases

c. strategic purchases

d. bottleneck purchases

Ans: B

Cognitive Domain: Comprehension (Understand)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Developing a Sourcing Strategy

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

18. Which of the following is an example of a strategic purchase?

a. heating oil

b. office supplies

c. high-value electronic components

d. repair items

Ans: C

Cognitive Domain: Knowledge (Remember)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Developing a Sourcing Strategy

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

19. Consolidating purchases to achieve volume discounts is a sourcing strategy of \_\_\_\_\_\_.

a. bottleneck purchases

b. noncritical purchases

c. leveraged purchases

d. strategic purchases

Ans: C

Cognitive Domain: Application (Apply)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Developing a Sourcing Strategy

Difficulty Level: Hard

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

20. Noncritical purchases focus on \_\_\_\_\_\_.

a. volume assurance and reliable sourcing

b. exploiting full purchasing power

c. emphasizing long-term supplier relationships

d. functional efficiency

Ans: D

Cognitive Domain: Application (Apply)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Developing a Sourcing Strategy

Difficulty Level: Hard

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

21. Which of the following is characterized by high supply risks and the potential for impacting a firm’s profitability?

a. bottleneck purchases

b. strategic purchases

c. noncritical purchases

d. leveraged purchases

Ans: B

Cognitive Domain: Application (Apply)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Developing a Sourcing Strategy

Difficulty Level: Hard

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

22. Which of the following is NOT a characteristic of strategic purchases?

a. They exploit full purchasing power.

b. They are high-value/scarce items.

c. They emphasize long-term partnerships.

d. They are critical to company performance.

Ans: A

Cognitive Domain: Analysis (Analyze)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Developing a Sourcing Strategy

Difficulty Level: Hard

AACSB: Analytical thinking (able to analyze and frame problems)

22. Supply base optimization means \_\_\_\_\_\_.

a. reducing the number of suppliers for better control and communication

b. determining the best number of suppliers to purchase from

c. engaging a large number of suppliers so backup supply is available

d. leaving the organization to be vulnerable to unexpected price increases

Ans: B

Cognitive Domain: Comprehension (Understand)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Optimizing the Supply Base

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

24. Which of the following is NOT a category in classifying buyer–supplier relationships?

a. transactional

b. strategic alliance

c. conglomerate

d. collaborative

Ans: C

Cognitive Domain: Application (Apply)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Determining the Nature and Length of the Buyer–Supplier Relationship

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

25. A joint venture is an example of a \_\_\_\_\_\_.

a. transactional relationship

b. strategic alliance

c. collaborative relationship

d. collective relationship

Ans: B

Cognitive Domain: Application (Apply)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Determining the Nature and Length of the Buyer–Supplier Relationship

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

26. Which of the following is true for transactional relationships?

a. They are related to buy-and-sell exchanges of goods and services.

b. They provide a significant degree of mutual benefit for supplier and buyer.

c. They require a sharing of knowledge and expertise, expenses and risks.

d. They involve the highest level of collaborative relationships between buyer and supplier.

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Determining the Nature and Length of the Buyer–Supplier Relationship

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

27. Which of the following is true for collaborative relationships?

a. They involve very little effort.

b. They require early supplier involvement.

c. They are suitable for noncritical or one-time purchases.

d. They are not intended for product innovation.

Ans: B

Cognitive Domain: Comprehension (Understand)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Determining the Nature and Length of the Buyer–Supplier Relationship

Difficulty Level: Hard

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

28. Which of the following is NOT a criterion for selecting suppliers?

a. financial stability

b. technical capabilities

c. service support

d. employee headcount

Ans: D

Cognitive Domain: Application (Apply)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Identifying Potential Suppliers

Difficulty Level: Hard

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

29. RFP (used in the process of selecting suppliers) stands for \_\_\_\_\_\_.

a. request for purchase

b. request for proposal

c. request for production

d. request for price

Ans: B

Cognitive Domain: Application (Apply)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Selecting Suppliers

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

30. A request for proposal (RPF) is sometimes called a \_\_\_\_\_\_.

a. request for pricing

b. request for quotation

c. request for information

d. request for invoice

Ans: B

Cognitive Domain: Comprehension (Understand)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Selecting Suppliers

Difficulty Level: Easy

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

31. Which document contains the specifications for the product being purchased, quality and service requirements, payment terms, and so on?

a. request for information (RFI)

b. request for invoice (RFI)

c. request for purchase (RFP)

d. request for proposal (RFP)

Ans: D

Cognitive Domain: Application (Apply)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Selecting Suppliers

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

32. Which bidding approach is used when the buyer–supplier relationship is transactional, items are standardized, and price is the predominant selection criterion?

a. online reverse auctions

b. competitive bidding

c. negotiations

d. English auctions

Ans: B

Cognitive Domain: Application (Apply)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Selecting Suppliers

Difficulty Level: Hard

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

33. Which of the following is an approach to help the buyer to choose the best alternative under a set of constraints?

a. factor rating method

b. analytic hierarchy process (AHP)

c. optimization methods

d. sourcing algorithm

Ans: C

Cognitive Domain: Application (Apply)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Selecting Suppliers

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

34. A decision methodology that uses hierarchy of criteria for evaluation of alternative decisions is the \_\_\_\_\_\_.

a. analytic hierarchy process (AHP)

b. optimization method

c. factor rating method

d. sourcing algorithm

Ans: A

Cognitive Domain: Knowledge (Remember)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Selecting Suppliers

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

35. A method that assigns relative weights to the selection criteria and selects supplier with the maximum total score is the \_\_\_\_\_\_.

a. optimization method

b. factor rating method

c. analytic hierarchy process (AHP)

d. sourcing algorithm

Ans: B

Cognitive Domain: Comprehension (Understand)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Selecting Suppliers

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

36. The e-procurement solution introduced by General Electric for selecting suppliers is called \_\_\_\_\_\_.

a. negotiation

b. competitive bidding

c. online reverse auction

d. Dutch auction

Ans: C

Cognitive Domain: Analysis (Analyze)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Selecting Suppliers

Difficulty Level: Hard

AACSB: Analytical thinking (able to analyze and frame problems)

37. Which of the following statements is true for online reverse auctions?

a. Buyers compete with each other and bid on products.

b. Businesses use the e-procurement solution for selecting buyers.

c. Buyers submit online competitive bids based on their business requirements.

d. Buyers allow suppliers to submit online bids for products/services as specified by the buyer.

Ans: D

Cognitive Domain: Application (Apply)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Selecting Suppliers

Difficulty Level: Hard

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

38. In which type of auction does the buyer list an initial price, in which only a lower bid can be submitted by the suppliers and the current lowest bid is visible to all suppliers as the auction progresses?

a. English auction

b. Dutch auction

c. sealed-bid first-price auction

d. second-price auction

Ans: A

Cognitive Domain: Analysis (Analyze)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Selecting Suppliers

Difficulty Level: Hard

AACSB: Analytical thinking (able to analyze and frame problems)

39. In which type of auction does the buyer list an initial lower price and then gradually raise the price until one of the suppliers agrees to that price?

a. English auction

b. Dutch auction

c. sealed-bid first-price auction

d. second-price auction

Ans: B

Cognitive Domain: Analysis (Analyze)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Selecting Suppliers

Difficulty Level: Hard

AACSB: Analytical thinking (able to analyze and frame problems)

40. A win-win situation for the buyer and supplier, in which the buyer chooses the supplier with the lowest bid and the supplier is awarded the contract for a price higher than their quotation, is the \_\_\_\_\_\_.

a. English auction

b. Dutch auction

c. sealed-bid first-price auction

d. second-price auction

Ans: D

Cognitive Domain: Analysis (Analyze)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Selecting Suppliers

Difficulty Level: Medium

AACSB: Analytical thinking (able to analyze and frame problems)

41. In which auction does the buyer review the submitted bids at the end of the auction period and award the contract to the supplier with lowest price?

a. English auction

b. Dutch auction

c. sealed-bid first-price auction

d. second-price auction

Ans: C

Cognitive Domain: Analysis (Analyze)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Selecting Suppliers

Difficulty Level: Hard

AACSB: Analytical thinking (able to analyze and frame problems)

42. Which approach is desirable when there is a high degree of supply risk or early supplier involvement is required?

a. English auction

b. negotiations

c. competitive bidding

d. second-price auction

Ans: B

Cognitive Domain: Application (Apply)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Selecting Suppliers

Difficulty Level: Hard

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

43. Any difference in value to be gained between the supplier and buyer is called the \_\_\_\_\_\_.

a. bargaining surplus

b. collective bargaining excess

c. collateral bargaining value added

d. bargaining difference

Ans: A

Cognitive Domain: Application (Apply)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Selecting Suppliers

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

44. A \_\_\_\_\_\_ contract is desired when item specifications are clearly known and the supplier can estimate the production cost with reasonable accuracy.

a. buyback

b. fixed-price

c. quantity-flexibility

d. cost-plus

Ans: B

Cognitive Domain: Comprehension (Understand)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Contracting With Suppliers

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

45. A \_\_\_\_\_\_ contract is desired when the purchases are expensive and the cost of material/labor to produce the products is uncertain.

a. buyback

b. fixed-price

c. quantity-flexibility

d. cost-plus

Ans: D

Cognitive Domain: Comprehension (Understand)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Contracting With Suppliers

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

46. Which of the following is FALSE about fixed-price contracts?

a. The contract subjects the supplier to a large degree of financial risk in the event of cost escalations.

b. The contract includes a fair and reasonable incentive that requires the contractor to assume an appropriate share of the risk.

c. The administrative burden of signing the contract is very high.

d. The contract subjects the buyer to financial loss if the market price drops.

Ans: C

Cognitive Domain: Comprehension (Understand)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Contracting With Suppliers

Difficulty Level: Hard

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

47. A \_\_\_\_\_\_ contract includes a return clause that allows the supplier to buy back unsold inventory up to a specified amount at an agreed-upon price.

a. buyback

b. quantity-flexibility

c. revenue-sharing

d. cost-plus

Ans: A

Cognitive Domain: Application (Apply)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Contracting With Suppliers

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

48. The buyer can change the purchased quantity based on the updated demand forecasts for the product under the \_\_\_\_\_\_ contract.

a. buyback

b. quantity-flexibility

c. revenue-sharing

d. fixed-price

Ans: B

Cognitive Domain: Comprehension (Understand)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Contracting With Suppliers

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

49. The supplier charges a lower price for items being purchased but in turn receives a percentage of the buyer’s profits in a \_\_\_\_\_\_\_\_ contract.

a. buyback

b. quantity-flexibility

c. revenue-sharing

d. fixed-price

Ans: C

Cognitive Domain: Comprehension (Understand)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Contracting With Suppliers

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

50. Which type of contract will be well suited for a college bookstore and the book publisher?

a. buyback

b. quantity-flexibility

c. cost-plus

d. fixed-price

Ans: A

Cognitive Domain: Application (Apply)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Contracting With Suppliers

Difficulty Level: Easy

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

51. The supplier is paid in full for all reasonable expenses up to a preset limit and also an additional sum as profit on the transaction in a \_\_\_\_\_\_ contract.

a. buyback

b. quality-flexibility

c. cost-plus

d. fixed-price

Ans: C

Cognitive Domain: Comprehension (Understand)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Contracting With Suppliers

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

52. The document that authorizes the supplier to produce, ship the item, and send the invoice to the buyer is called the \_\_\_\_\_\_.

a. supplier Invoice

b. purchase order

c. production order

d. delivery order

Ans: B

Cognitive Domain: Knowledge (Remember)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Purchasing

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

53. Which of the following is used for long-term purchases on multiple dates over a period of time?

a. blanket purchase order

b. standard purchase order

c. planned purchase order

d. electronic purchase order

Ans: A

Cognitive Domain: Knowledge (Remember)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Purchasing

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

54. Standard purchase orders are used for \_\_\_\_\_\_.

a. purchases to be made on approximate dates when inventories run low in specified quantities

b. long-term purchases on multiple dates over a period of time

c. one-time purchases

d. weekly purchases

Ans: C

Cognitive Domain: Comprehension (Understand)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Purchasing

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

55. Which of the following statements is true?

a. Planned purchase orders are used for purchases made on approximate dates and in specified quantities when inventories run low.

b. Standard purchase orders are used for long-term purchases on multiple dates over a period of time.

c. Blanket purchase orders are used for one-time purchases.

d. Blanket purchases are used for purchases made on approximate dates and in specified quantities when inventories run low.

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Purchasing

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

56. Replacement parts for machinery are examples of \_\_\_\_\_\_.

a. direct material purchases

b. indirect material purchases

c. centralized purchases

d. decentralized purchases

Ans: B

Cognitive Domain: Comprehension (Understand)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Purchasing

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

57. Which of the following statements is true?

a. Money spent on indirect material purchases is always higher than money spent on direct material purchases.

b. Typically, an equal percentage of money is spent on direct and indirect material purchases.

c. Money spent on indirect materials is not as high as money spent on direct materials, but it can still be significant.

d. Money spent on direct materials is linearly related to the money spent on indirect materials.

Ans: C

Cognitive Domain: Comprehension (Understand)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Purchasing

Difficulty Level: Hard

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

58. Purchasing predictability is relatively high for \_\_\_\_\_\_.

a. direct material purchases

b. indirect material purchases

c. centralized material purchases

d. decentralized material purchases

Ans: A

Cognitive Domain: Application (Apply)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Purchasing

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

59. Purchase volume per transaction for indirect material purchases is \_\_\_\_\_\_.

a. very large

b. moderate

c. relatively small

d. large

Ans: C

Cognitive Domain: Knowledge (Remember)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Purchasing

Difficulty Level: Hard

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

60. Which of the following statements is true about direct material purchases?

a. Their frequency of purchasing transactions is relatively low.

b. Their purchasing predictability is relatively low.

c. Their numbers of stakeholders are large.

d. Their buyer has less power and control.

Ans: A

Cognitive Domain: Application (Apply)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Purchasing

Difficulty Level: Hard

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

61. The \_\_\_\_\_\_ are part of the finished products, and the amount of usage can be tracked on a per-unit basis.

a. indirect materials

b. direct materials

c. centralized material purchases

d. decentralized material purchases

Ans: B

Cognitive Domain: Comprehension (Understand)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Purchasing

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

62. It is difficult to determine the contribution to a company’s savings on \_\_\_\_\_\_.

a. indirect materials

b. direct materials

c. centralized materials

d. decentralized materials

Ans: A

Cognitive Domain: Application (Apply)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Purchasing

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

63. SPM in supplier management stands for \_\_\_\_\_\_.

a. supplier progress management

b. supplier process management

c. supplier production management

d. supplier performance management

Ans: D

Cognitive Domain: Comprehension (Understand)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Supplier Performance Management

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

64. \_\_\_\_\_\_ are used to rank suppliers and track their performance over time.

a. Supplier information cards

b. Performance guidelines

c. Supplier scorecards

d. Performance metrics

Ans: C

Cognitive Domain: Knowledge (Remember)

Learning Objective: 10-4. Describe the unique challenges involved in managing global suppliers.

Answer Location: Supplier Performance Management

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

65. Which of the following statements is FALSE about supplier scorecards?

a. The scorecard contains measures to evaluate the performance of suppliers.

b. The information on the scorecard cannot be used for supplier negotiations.

c. The performance measures on the scorecard should be derived from the buyer’s corporate goals.

d. Each measure on the scorecard is assigned a percentage weight, and scores are combined into an overall score to rank the suppliers.

Ans: B

Cognitive Domain: Comprehension (Understand)

Learning Objective: 10-3. Evaluate the issues involved in managing service providers.

Answer Location: Supplier Performance Management

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

66. Which of the following is an appropriate performance measure for a company whose corporate goal is to deliver quality products to its customers?

a. on-time delivery

b. ability to respond to last-minute order changes

c. proximity to the buyer’s premises

d. delivery of defect-free products to buyer

Ans: D

Cognitive Domain: Analysis (Analyze)

Learning Objective: 10-3. Evaluate the issues involved in managing service providers.

Answer Location: Supplier Performance Management

Difficulty Level: Easy

AACSB: Analytical thinking (able to analyze and frame problems)

67. The focus of \_\_\_\_\_\_ is to resolve problems between suppliers and buyers before the problems become conflicts.

a. supplier performance management

b. supplier process management

c. a supplier scorecard

d. supplier information management

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 10-3. Evaluate the issues involved in managing service providers.

Answer Location: Supplier Performance Management

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

68. Which of the following is FALSE about supplier performance management (SPM)?

a. It requires uninterrupted exchange of information, synchronizing buyers’ requirements and suppliers’ capabilities.

b. It is not as comprehensive a tool as the supplier scorecard.

c. Its focus is to resolve problems between suppliers and buyers.

d. It determines whether the suppliers are meeting their contractual obligations.

Ans: B

Cognitive Domain: Analysis (Analyze)

Learning Objective: 10-3. Evaluate the issues involved in managing service providers.

Answer Location: Supplier Performance Management

Difficulty Level: Medium

AACSB: Analytical thinking (able to analyze and frame problems)

69. Which of the following is NOT one of the steps in implementing an SPM process?

a. Develop the performance criteria suppliers should meet.

b. Collect qualitative and quantitative data.

c. Award contracts to suppliers.

d. Periodically review and recalibrate goals and metrics to respond to changing business needs.

Ans: C

Cognitive Domain: Comprehension (Understand)

Learning Objective: 10-3. Evaluate the issues involved in managing service providers.

Answer Location: Supplier Performance Management

Difficulty Level: Hard

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

70. Which of the following is NOT one of the main reasons for companies to maintain an SPM database?

a. to analyze and compare the performance of suppliers

b. to select and reward suppliers who perform well

c. to eliminate suppliers with poor performance records

d. to eliminate long-term performing suppliers

Ans: D

Cognitive Domain: Application (Apply)

Learning Objective: 10-3. Evaluate the issues involved in managing service providers.

Answer Location: Supplier Performance Management

Difficulty Level: Hard

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

71. Which of the following features does NOT serve as standard for a basic supplier information management platform?

a. supplier’s stability and financial standing

b. supplier’s commitment to continuous improvement

c. supplier’s ability to deliver goods and services on time

d. supplier’s size and work culture

Ans: D

Cognitive Domain: Comprehension (Understand)

Learning Objective: 10-4. Describe the unique challenges involved in managing global suppliers.

Answer Location: Supplier Information Management

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

72. Which of the following is the first step in creating a valuable supplier management information system?

a. Monitor the supplier’s ability to produce quality services.

b. Assess the supplier’s corporate social responsibility.

c. Collect and update all supplier information, and ensure all vendor and supplier purchases and contracts are centrally controlled.

d. Assess the supplier’s financial position.

Ans: C

Cognitive Domain: Application (Apply)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Supplier Information Management

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

73. Which type of risk arises from the choice of a company’s sourcing strategy?

a. sourcing risk

b. strategy risk

c. market risk

d. implementation risk

Ans: B

Cognitive Domain: Comprehension (Understand)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Supplier Risk Management

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

74. Which type of risk arises from suppliers’ inability to meet delivery lead times or increase production because of capacity problems?

a. demark risk

b. market risk

c. implementation risk

d. strategy risk

Ans: C

Cognitive Domain: Application (Apply)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Supplier Risk Management

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

75. Performance risk stems from the \_\_\_\_\_\_.

a. fluctuations in demand and inventory levels

b. choice of company’s sourcing strategy

c. ongoing quality and financial issues with the supplier

d. supplier’s inability to meet delivery lead times

Ans: C

Cognitive Domain: Comprehension (Understand)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Supplier Risk Management

Difficulty Level: Hard

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

76. Using multiple suppliers and suppliers that have flexibility in capacity to respond to demand changes is a mitigation strategy for \_\_\_\_\_\_.

a. capacity risk

b. demand risk

c. performance risk

d. strategy risk

Ans: B

Cognitive Domain: Application (Apply)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Supplier Risk Management

Difficulty Level: Hard

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

77. A small family-run business may not have the resources to support a global sourcing strategy. This situation is an illustration of a(n) \_\_\_\_\_\_.

a. sourcing risk

b. strategy risk

c. market risk

d. implementation risk

Ans: B

Cognitive Domain: Comprehension (Understand)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Supplier Risk Management

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

78. News and financial articles about changes in a supplier’s financial condition is an example of a(n) \_\_\_\_\_\_.

a. internal source of information

b. external source of information

c. financial source of information

d. supplier source of information

Ans: B

Cognitive Domain: Knowledge (Remember)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Supplier Risk Management

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

79. The firm’s experience with the quality of supplier’s products, poor supplier responsiveness, delivery delays, and so on is an example of \_\_\_\_\_\_ about suppliers.

a. internal sources of information

b. external sources of information

c. financial sources of information

d. supplier sources of information

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Supplier Risk Management

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

80. Which of the following is a mitigation strategy for market risk?

a. using multiple suppliers and suppliers that have the flexibility to respond to demand changes

b. using approaches such as hedging, forward contracts, quantity discounts, or postponing decisions to counter volatility in market prices

c. identifying and selecting suppliers to minimize disruptions in production

d. choosing the right sourcing strategy upfront using reliable market intelligence

Ans: B

Cognitive Domain: Comprehension (Understand)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Supplier Risk Management

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

81. Supplier performance is a subset of \_\_\_\_\_\_.

a. supplier risk management

b. supplier process management

c. supplier information management

d. supplier relationship management

Ans: D

Cognitive Domain: Application (Apply)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Supplier Relationship Management (SRM)

Difficulty Level: Easy

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

82. The main focus of SRM (supplier relationship management) is to \_\_\_\_\_\_.

a. determine whether suppliers are meeting their contractual obligations

b. focus on enhancing the value of the relationship to both supplier and buyer through collaboration

c. evaluate the supplier based on key performance measures

d. eliminate suppliers who do not perform well

Ans: B

Cognitive Domain: Comprehension (Understand)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Supplier Relationship Management (SRM)

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

83. Which of the following is NOT a reason for supplier phase out?

a. More reliable suppliers are made available.

b. The supplier is bankrupted.

c. The risks associated with doing business with the supplier can be mitigated.

d. More suppliers with better technology or processes are made available.

Ans: C

Cognitive Domain: Application (Apply)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Supplier Phase Out

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

84. The final task of the supplier management process is called \_\_\_\_\_\_.

a. supplier recognition

b. supplier performance management

c. supplier risk management

d. supplier phase out

Ans: D

Cognitive Domain: Application (Apply)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Supplier Phase Out

Difficulty Level: Easy

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

85. Which of the following statements is FALSE with respect to supplier phase out?

a. Phasing out suppliers is costly and can disrupt the operations of both the buying and selling firms.

b. The decision to switch to a new supplier should be made after careful consideration.

c. A buying organization should include exit clauses in the contract to ensure that penalties for early contract termination are avoided.

d. Phasing out suppliers is relatively easy and inexpensive.

Ans: D

Cognitive Domain: Comprehension (Understand)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Supplier Phase Out

Difficulty Level: Hard

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

86. Acquisition of services in many organizations is referred to as \_\_\_\_\_\_.

a. service contracting

b. procurement

c. sourcing

d. acquisition

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 10-3. Evaluate the issues involved in managing service providers.

Answer Location: Managing Service Providers

Difficulty Level: Easy

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

87. Services that have a direct impact on the company’s operations, are used by the customers, or require unique or highly skilled workers to provide are \_\_\_\_\_\_.

a. nonstrategic services

b. standard services

c. strategic services

d. public services

Ans: C

Cognitive Domain: Comprehension (Understand)

Learning Objective: 10-3. Evaluate the issues involved in managing service providers.

Answer Location: Sourcing Service Providers

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

88. Services provided by call centers are an example of \_\_\_\_\_\_.

a. nonstrategic services

b. public services

c. strategic services

d. private services

Ans: A

Cognitive Domain: Application (Apply)

Learning Objective: 10-3. Evaluate the issues involved in managing service providers.

Answer Location: Sourcing Service Providers

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

89. Cost savings is the main criterion for \_\_\_\_\_\_ that can be purchased from multiple service providers.

a. strategic services

b. standard services

c. public services

d. nonstrategic services

Ans: B

Cognitive Domain: Application (Apply)

Learning Objective: 10-3. Evaluate the issues involved in managing service providers.

Answer Location: Sourcing Service Providers

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

90. Using liquidated damage clauses in delivery contracts is an example of mitigating strategy for \_\_\_\_\_\_.

a. security risks

b. failure to deliver the needed services on time

c. failure to realize the expected cost savings

d. market risks

Ans: B

Cognitive Domain: Application (Apply)

Learning Objective: 10-3. Evaluate the issues involved in managing service providers.

Answer Location: Service Provider Risk Management

Difficulty Level: Medium

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

91. Security risks include \_\_\_\_\_\_.

a. theft of data

b. late deliveries

c. poor product quality

d. stock outs

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 10-4. Describe the unique challenges involved in managing global suppliers.

Answer Location: Service Provider Risk Management

Difficulty Level: Medium

AACSB: Analytical thinking (able to analyze and frame problems)

92. Which of the following statements is FALSE about global supplier management?

a. Supply risks associated with global sourcing do not have the potential to disrupt the operations of firm’s global supply chain partners.

b. Companies buying abroad need to account for the hidden cost of offshoring.

c. Custom clearance times and other government red tape should be considered in decisions to work with global suppliers.

d. It is expensive and time-consuming to gather critical information from geographically dispersed suppliers.

Ans: A

Cognitive Domain: Analysis (Analyze)

Learning Objective: 10-4. Describe the unique challenges involved in managing global suppliers.

Answer Location: Global Supplier Management

Difficulty Level: Medium

AACSB: Analytical thinking (able to analyze and frame problems)

93. Which of the following is NOT a mitigation strategy for supply risks associated with global supplier management?

a. Establish collaborative relationship with global suppliers.

b. Have a backup pool of suppliers.

c. Limit the use of technology for supplier visibility.

d. Select suppliers whose language and culture can be understood.

Ans: C

Cognitive Domain: Application (Apply)

Learning Objective: 10-4. Describe the unique challenges involved in managing global suppliers.

Answer Location: Global Supplier Management

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

94. Benefits of global sourcing include \_\_\_\_\_\_.

a. higher costs

b. broader pool of suppliers and service providers

c. language and cultural barriers

d. slower time-to-market

Ans: B

Cognitive Domain: Application (Apply)

Learning Objective: 10-4. Describe the unique challenges involved in managing global suppliers.

Answer Location: Global Supplier Management

Difficulty Level: Easy

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

95. Which of the following is true about managing relationships with service providers?

a. The outsourcing of services performed in-house to third-party service providers does not require any changes in the organizational structure.

b. A company’s IT infrastructure must be reconfigured to monitor and manage the network of third-party service providers.

c. The outsourcing of services does not require buying companies to develop multisourcing strategies.

d. Managing a service provider is fairly simple and straightforward.

Ans: B

Cognitive Domain: Application (Apply)

Learning Objective: 10-4. Describe the unique challenges involved in managing global suppliers.

Answer Location: Service Provider Performance and Relationship Management

Difficulty Level: Hard

AACSB: Application of knowledge (able to translate knowledge of business and management into practice)

96. Which of the following statements is FALSE about supply chain sustainability?

a. Companies are realizing that supply chain sustainability does not result in sizable financial returns.

b. Approximately 50% of all energy and carbon emissions for a company are related to its supply chain.

c. Firms are demanding that suppliers reduce their carbon emissions and disclose the impact their products and processed have on the environment.

d. Companies are realizing that supply chain sustainability can result in sizable financial returns.

Ans: A

Cognitive Domain: Comprehension (Understand)

Learning Objective: 10-5. Identify some reasons why firms actively promote ethically and socially responsible behavior in supplier management.

Answer Location: Legal, Ethical, and Sustainability Issues

Difficulty Level: Hard

AACSB: Economic, political, regulatory, legal, technological, and social contexts of organizations in a global society

97. Which of the following statements is true about ethical and social responsibility?

a. Stakeholders expect only individual companies to be ethical.

b. Companies face immense pressure from their customers, investors, business partners, and media organizations to behave ethically.

c. Ethical violations can never harm a firm’s reputation and profitability.

d. It is almost impossible that one of many firms in the supply chain will make an ethical breach.

Ans: B

Cognitive Domain: Application (Apply)

Learning Objective: 10-5. Identify some reasons why firms actively promote ethically and socially responsible behavior in supplier management.

Answer Location: Legal, Ethical, and Sustainability Issues

Difficulty Level: Hard

AACSB: Economic, political, regulatory, legal, technological, and social contexts of organizations in a global society

98. Which party bears the blame in case of an ethical breach in the supply chain?

a. suppliers

b. suppliers of suppliers

c. the primary firm

d. distributors

Ans: C

Cognitive Domain: Application (Apply)

Learning Objective: 10-5. Identify some reasons why firms actively promote ethically and socially responsible behavior in supplier management.

Answer Location: Legal, Ethical, and Sustainability Issues

Difficulty Level: Medium

AACSB: Economic, political, regulatory, legal, technological, and social contexts of organizations in a global society

99. A *returns contract* is another name for a \_\_\_\_\_\_ contract.

a. buyback

b. quantity-flexibility

c. cost-plus

d. fixed-price

Ans: A

Cognitive Domain: Knowledge (Remember)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Contracting With Suppliers

Difficulty Level: Easy

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution

100. Which of the following is a plan to contract with multiple suppliers to ensure that backup supplies are available?

a. joint venture

b. strategic alliance

c. multiple-sourcing strategy

d. Keiretsu network

Ans: C

Cognitive Domain: Knowledge (Remember)

Learning Objective: 10-2. Describe the various tasks of the supplier management process and demonstrate how metrics are used to rate supplier performance.

Answer Location: Optimizing the Supply Base

Difficulty Level: Medium

AACSB: Systems and processes in organizations, including planning and design, production/operations, supply chains, marketing, and distribution