Sample Answers to In-Text Questions

# Chapter 1: INTRODUCTION TO MANAGING GLOBAL OPERATIONS AND SUPPLY CHAINS

## Discussion Questions

1. Compare and contrast outsourcing and offshoring. List some of the companies that have adopted these strategies in recent years and the reasons for them.

Answer: Outsourcing is contracting with a third party to produce the goods or service, rather than produce it in-house. Offshoring refers to getting the product or service from another country. They are both options to making it yourself. A third term onshoring refers to the trend of using domestic suppliers when previously bought from overseas.

2. Walmart (Walmart Inc., Bentonville, AR) has been one of the most successful companies in the retail industry because of its ability to sell products at “everyday low prices.” What competitive strengths of Walmart gave the company this advantage over its competition?

Answer: Walmart has used its Supply Chain Mastery to be able to bring items in at the lowest cost and good quality and reliably have them on the shelf when the customer requires them. Their knowledge of low prices and their sheer size enables them to get the best costing, and their knowledge of the supply chain storage and distribution created a supply chain that is world class.

3. Define global supply chains. What are the inherent challenges that companies face in managing them?

Answer: Because of purchasing and selling so many items overseas, supply chains have become global. Challenges they face are all of the challenges of operating globally, such as different language, legal systems, customs, methods, currencies, software, etc. In addition you have all of those differences in many more global network partnerships. A great complexity is just the import export laws, incoterms, duties, tariffs, and such.

4. Explain in some detail the critical role of the operations function in a company’s success and its supply chain.

Answer: Operations management (OM) is the process of managing the system of designing, producing, and delivering goods or services that add value throughout the supply chain and benefit the final consumer. All of the roles and careers in OM fall within the supply chain. Operations Managers need to manage the information, software, and all of the flows, quality interfaces and relationships in the supply chain.

5. What are the key differences between goods and services?

Answer: Most of the differences are listed in Table 1.2, and cluster around tangibility, storage, types and levels of customer contact, and that fact that goods can be produced, and quality checked ahead of time, etc.

6. Figure 1.5 presents the operations function as system that transforms inputs into outputs. For the following scenarios, identify the inputs and outputs and the value created during the transformation process:

1. A patient undergoing surgery in a hospital:

Inputs: medical staff, skills, supplies, medicines, equipment, instruments

Outputs: successful surgery; ability to bill for the service

Value: healed patient that feels better or is no longer in a critical condition, happiness and ease of mind for the patient

1. Airline travel: (Similar to A)
2. Teaching students in a classroom: (Similar to A)
3. Production of an automobile: (Similar to A)

7. One brand of The Campbell Soup Company (Camden, NJ) is condensed canned soup. Create a supply chain showing the movement of materials and information for this brand from the basic raw materials suppliers to you as the final consumer.

Answer: Answers could vary, detailing steps from the farm to the table, depending on student creativity.

## Critical Thinking Questions

Read the article titled [Toyota Was in Denial. How About You?](https://www.bloomberg.com/news/articles/2010-04-08/toyota-was-in-denial-dot-how-about-you) and answer the questions below. You can access this article by clicking on the link:

**Questions:**

1. Why is the information in this article important to operations managers?

Answer: There are many lessons to be learned here, such as you cannot assume good quality from a good brand image, sudden quality defects happen, and you should be prepared with a plan “B”, keep tuned in and alert for possible problems, (code yellow!), etc.  
  
2. What are the basic reasons behind Toyota's recent product safety lapses?

Answer: They were in denial, they had such a belief in their own good quality that they did not react soon enough, they ignored early signs of trouble.

3. How can hard questioning be good operations management?  Can it be bad for operations management?

Answer: It sometimes takes hard questioning to get to the truth, (5 whys method), could be bad for cooperation if operations is seen in a “police man” role, etc.  
  
4. What can or should U.S. operators learn from Toyota's problems?

Answer: If it can happen in Toyota, it could happen anywhere! Always beware, and have a plan B.

5. What is the future of the regulation of product safety in the United States?

Answer: With so many recent severe quality problems, many feel that many kinds of product safety regulations are too lax – food, drugs, infant and children’s products, imported products, etc.