APICS

CPIM-SMR
CPIM Strategic Management of resources

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Question: 1

A customer has the choice of several smart phones (and manufacturers) that meet functional requirements, but chooses the iPhone. From this selection one may say that:

A. The iPhone is an order qualifier
B. The iPhone is an order winner
C. The iPhone is both an order qualifier and an order winner
D. The iPhone is neither an order qualifier nor an order winner

Answer: C

Explanation:
To correctly answer the question, it helps to know the difference between the terms order qualifier and order winner. The so-called smart phone provides a handy example that demonstrates the meaning of both terms. Several manufacturers make smart phones that meet consumer needs, requirements, and demand, yet the popularity of Apple smart-phones borders on obsession. The ability of several manufacturers to product excellent smart phones means that their products are order qualifiers. The ability of Apple to continuously increase their smart phone market share over competitors means it is both order qualifier and order winner.

Question: 2

A certain product may be the reason a company becomes an order winner but sometimes it is the company itself. The statement that best explains the latter is:

A. Distinctive competencies refer to a company's unique strengths that attract customers
B. Distinctive competencies refer to a company's image as an order qualifier
C. Distinctive competencies refers to a company's ability to deliver differentiated, lower-cost products
D. Distinctive competencies refers to novel marketing and product engineering strategies

Answer: A

Explanation:
considering that the question asks you to choose the statement that explains how a company (rather than the product) is the basic reason it becomes an order winner. Several companies make reliable cars, according to vehicle rating agencies like J. D. Power et al., but a long recognition of superior quality and customer service may drive a company (like Toyota) to acquire market share beyond the qualities of its products. Consider that auto sales records show that Toyota is an order

winner in spite of recent well-publicized events. Another example of a company-driven order winner is Ford, not only because it produces order qualifiers, but because the consumer has certain perceptions ofthe brand and because the ratings agencies (Consumer Reports and J. D. Powers, for example) have characterized the company in a positive way.

Question: 3

The statement that best explains why an order qualifier is not always an order winner is:

A. Customers are impulsive and don't pay attention to quality considerations
B. Customers always respond to price advantages rather than order qualification
C. Customers do not always recognize quality or may confuse packaging with real quality
D. Customers are always seeking something different so they are more interested in product differentiation than quality

Answer: C

Explanation:
Like price, quality is often an order qualifier rather than an order winner. Customers cannot always differentiate the quality levels of their competing suppliers. An important distinction to make in considering product quality is the difference between actual quality and perceived quality. Customers may perceive products with packaging that looks cheap or other superficial tags as being poor quality, even though they meet all stated specifications. Both actual and perceived quality must be at acceptable levels for success ofthe product in the marketplace.

Question: 4

One of the four approaches to developing an operations strategy is termed the overview approach. The overview approach can be defined as being:

A. Focused upon the interrelationship between operational functions
B. Focused upon primary operational factors like resources, capacity, and technology used in integrating the manufacturing process
C. Focused upon determining the original causes of capacity trade-offs and eliminating them
D. Setting an order for the four competing priorities and completes action sequentially

Answer: B

Explanation:
The four approaches to developing an operations strategy' are: overview approach, the trade-off approach, the reductionist approach, and the sequential approach. In the overview approach, the method is to consider the primary operational factors such as available resources: technology currently used capacity for integration, philosophy of quality, and internal company relationships. The approach mentioned in choice "d" is called the sequential approach. Choice "c" refers to the

reductionist approach and "a" pertains to the trade-off approach.

Question: 5

One of the four approaches to developing an operations strategy is termed the reductionist approach. The reductionist approach can be defined as being:

A. Focused upon the interrelationship between operational functions
B. Focused upon primary operational factors like resources, capacity, and technology used in integrating the manufacturing process
C. Focused upon determining the original causes of capacity trade-offs and eliminating them
D. Setting an order for the four competing priorities and completes action sequentially

Answer: C

Explanation:
Instead of focusing on and balancing process trade-offs, the reductionist approach concentrates on determining the original causes of trade-offs and easing or eliminating them. The reductionist approach is just one of four main business philosophies in the development of operation strategies. The other three business approaches to strategy are termed the trade-off approach, the sequential approach, and the overview approach. The development of a strategic approach is an important analytical tool which helps management to narrow down the multitude of choices which present themselves in manufacturing.

Question: 6

One ofthe four approaches to developing an operations strategy is termed the sequential approach. The sequential approach can be defined as being:

A. Focused upon the interrelationship between operational functions
B. Focused upon primary operational factors like resources, capacity, and technology used in integrating the manufacturing process
C. Focused upon determining the original causes of capacity trade-offs and eliminating them
D. Setting an order for the four competing priorities and completes action sequentially

Answer: D

Explanation:
The sequential approach to the development of a business strategy involves setting an order of completion for four competing priorities. The next in order of priority is not begun until the earlier priority is completed in full and in detail. The sequential approach is just one of four main business philosophies in the development of operation strategies. The other three business approaches to strategy' are termed the trade-off approach, the reductionist approach, and the overview approach. The development of a strategic approach is an important analytical tool that

helps management to narrow down the multitude of choices that present themselves in manufacturing.

Question: 7

One of the four approaches to developing an operations strategy is termed the tradeoff approach. The tradeoff approach can be defined as being:

A. Focused upon the interrelationship between operational functions
B. Focused upon primary operational factors like resources, capacity, and technology used in integrating the manufacturing process
C. Focused upon determining the original causes of capacity trade-offs and eliminating them
D. Setting an order for the four competing priorities and completes action sequentially

Answer: A

Explanation:
In the trade-off approach, management considers the interrelationships between operational functions, such as the relationship between customer service and inventory investment or volume of goods produced and cost of goods produced. One function can act as a limit on another and the trade-off approach can help to alleviate the negative or limiting impact of one process upon another. If the volume of goods produced causes prices to drop below the point where profitability is strained, the adoption of the trade-off approach may be the appropriate remedy.

Question: 8

A type of manufacturing designed to occur 24 hours a day and 7 days per week is called:

A. Perpetual motion manufacturing
B. Line manufacturing
C. Continuous manufacturing
D. Four-walled batch manufacturing

Answer: C

Explanation:
Continuous manufacturing is the term for the type of manufacturing that is planned to occur continuously—24 hours per day and 7 days per week. Continuous manufacturing is similar to line manufacturing, but with even more specialized equipment and less variety of goods produced. It is a manufacturing environment in which highly specialized equipment is used to produce one or a very few type(s) of set goods in high volumes at an extremely low cost. Product changes and new products occur rarely.

Question: 9

The statement that best explains why product design and product image can result in order winners is:

A. Product design determines cost of manufacture: product image determines consumer buying habits
B. Creating product image adds to the expense of manufacture, but product design can make up for shortfalls in demand
C. Product design is founded on customer needs and products must be timely delivered; order winning follows upon a positive perception of products in the marketplace
D. All of the above

Answer: C

Explanation:
Product design begins with customer needs. Through the product design process, these needs are defined as product specifications that drive the design process. The effectiveness and speed with which a company learns, quantifies, designs for, and meets customer needs in the marketplace is crucial. It is an order winner. Meeting customer needs and desires before the competition does provides competitive edge and market share. Image is the perception of the company or product in the marketplace. In some industries, image is of paramount importance, Think of Apple CEO Steve Jobs and the iPhone 4.

Question: 10

The volumes and range of products produced are company structural decisions which must be made, and once made, are difficult to reverse. Other structural decisions involved in the strategic resource management include:

A. Plant location and size, manufacturing methods, and work cell design
B. Capital requirements and financing
C. Marketing and sales strategies
D. All of the above

Answer: A

Explanation:
Plant location and size and the functional emplacement ofthe manufacturing work stations are decisions which, once made, are hard to reverse—at least without great expense and lost profits. Marketing and sales strategies, on the other hand, can be revised and made flexible. Capital investment requirements, too, can be altered and financing structure can evolve to meet changing economic circumstances. Since structural changes like plant size and location are so expensive to reverse, it is of utmost important to consider these choices in meticulous detail.

Question: 11

Which of the five steps of the manufacturing transformation process pertains to the production of goods that are not finished products themselves but rather are used to build other products?

A. Assembly distribution
B. Fabrication of parts
C. Primary resource creation
D. Assembly

Answer: B

Explanation:
The chain of transformations, known also as the transformation process, is the sequence of steps from raw materials to finished goods. The sequence is divided into five specific steps: primary resource creation, fabrication of parts, assembly, distribution, and service and delivery. Fabrication of parts is but one step in the transformation process, a step which refers to production of goods that are not finished products themselves but rather are used to build other products.

Question: 12

Which of the five steps of the transformation process involves the acquisition and collection of raw materials ?

A. Assembly distribution
B. Fabrication of parts
C. Primary resource creation
D. Assembly

Answer: C

Explanation:
The chain of transformations, or the transformation process, is the sequence of steps from initial inputs to final outputs, from raw materials to finished goods. The sequence is divided into five specific steps: primary resource creation, fabrication of parts, assembly, distribution, and service and delivery. Primary resource creation is the initial attainment of raw materials, such as ore, aluminum, steel or whatever raw materials are needed. Primary resource creation companies are considered nonmanufacturing producers.

Question: 13

Which of the five steps of the transformation process entails customer interactions such as sales and product delivery transactions?

A. Material distribution
B. Service and delivery
C. Primary resource creation
D. Sales and marketing

Answer: B

Explanation:
Service and delivery are part of a series of five steps in manufacturing a product from its beginning raw materials state to its completion as a finished product. The sequences involved in the transformation process are divided into five specific steps: primary resource creation, fabrication of parts, assembly, distribution, and service and delivery. Service and delivery entails customer interactions such as sales and product delivery transactions.

Question: 14

Preproduct development is one ofthe six phases of a product life cycle. Preproduct development may be defined as:

A. The process of establishing product specifications and forecasting and filling early demand for the product
B. The process of accumulating and shipping raw materials needed for manufacture
C. The process of testing and product introduction
D. General research that informs the decision-making process for what product(s) to pursue

Answer: D

Explanation:
Preproduct development is the first stage in a product life cycle. It involves general marketing research, not directed toward a specific product or family product. The purpose of preproduct development is to determine what products might be profitable and stable to manufacture. There may be a range of products that could be profitably manufactured but it is the preproduct development phase that informs decisions as to what type of product manufacture will be actively pursued.

Question: 15

The steady-state phase of the six-stage product life cycle chain refers to:

A. A period in the manufacturing process in which production volumes are fixed and unchanging
B. A period in the manufacturing process in which product demand is rising at a steady pace

C. A period in the manufacturing process in which manufacturing demand and customer orders are stable and predictable
D. A period in the manufacturing process in which product demand is diminishing at a steady pace

Answer: C

Explanation:
The steady state phase in a product life cycle occurs when fluctuations and uncertainty of early manufacturing processes are smoothed out. The volumes of items being produced are consistent and better matched to customer demand; customer demand is similarly predictable, even with regard to seasonal changes and demand spikes. At the steady state phase in the product life cycle, the product is well established as an order winner, accounting for stability and predictability in both manufacturing and sales.

Question: 16

Among the reasons for the phase-out stage of product life cycle are:

A. Product obsolesence, lack of availability of raw materials or components, increased competition
B. Decreased demand, company choice of a replacement product or external forces
C. Additional costs associated with government regulation, economic downturns, higher interest rates
D. All of the above

Answer: D

Explanation:
Product life cycles come to their end for the variety of reasons mentioned in all ofthe answer options. Manufacturing occurs in a constantly changing environment. As with automakers producing a lesser number of models during economic downturns, so can external factors like supply problems or new competitors entering the market cause the phase out of products at the end of the product life cycle. In other areas, digital electronics makes analog products obsolete and companies must adapt to the changes by halting manufacture of outmoded products.

Question: 17

After research, testing, design, and introduction of a new product, the next phase of the product life cycle is:

A. Product development
B. Steady state
C. Phase out
D. Rapid growth

Answer: D

Explanation:
After product development processes such as research, testing design, and the introduction of a new product into the marketplace have occurred, there is (ideally) a phase in the product life cycle termed the rapid growth phase. The rapid growth phase is the fourth stage in the product life cycle, and is marked by rising customer demand. This rapid growth phase is followed by the steady state phase, in which demand is predictible and production is stable, and then the product life cycle ends with the phase out stage, the last step in the process.

Question: 18

The disadvantage of using leading demand indicators as the basis for an increase in manufacturing volume is:

A. That leading demand figures are imaginary, with no basis in actual manufacturing
B. That leading demand is an actual figure that does not account for spikes in demand
C. That leading demand is a forecast figure and actual demand may vary too much
D. That leading demand is a method of launching incremental volume increases

Answer: C

Explanation:
Demand predictions factor into manufacturing before and during operations. Leading demand indicators are based on past manufacturing performance over a period of time sufficient for the prediction method. Leading demand based predictions of future volume requirements may overestimate or underestimate actual demand. The impact of inaccurate predictions is either too much finished product buildup or too little product to meet customer demand. In the latter case, there could be a loss of customers: in the former, the overproduction must be stored and handled, and in some cases, may become obsolete.

Question: 19

Using lagging demand indicators to determine production output volume carries the risk of:

A. Producing an oversupply of finished product when lagging demand reflects declining demand
B. Producing an oversupply of finished products when external forces increase market demand
C. Losing customers when the factory cannot meet actual demand
D. Causing excessive inventory buildup when demand increases

Answer: C

Explanation:

Using lagging demand means that manufacturing volume levels are not projected—rather they are based on actual order demand. This can be a handicap in an expanding market where shortages of finished product could result in lost sales. Lagging demand is used when a company is uncertain of future sales, so capacity increase is postponed until actual demand is established. There are drawbacks to forecast demand also; the type of method employed to set production volume levels should be addressed during market research.

Question: 20

The best definition of the tracking/chasing demand method of setting capacity is:

A. A decision to increase capacity based on demand forecasting alone
B. A decision to increase manufacturing capacity based on actual demand and incremental capacity increases
C. A decision to increase capacity based on tracking actual sales
D. Capacity decisions are set by market research trends

Answer: B

Explanation:
In the tracking/chasing demand method, the decision to increase manufacturing capacity is based on actual demand and incremental demand increases. Tracking/chasing demand is a hybridized version of the leading and lagging demand methods. Like lagging demand, the disadvantage of the tracking/chasing method of setting capacity is in the amount of time necessary for capacity increases, although the incremental capacity increases can be implemented more quickly.

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