

Chapter 1

The Concept of Strategy

True or False Questions

1. Strategy is a detailed plan and set of instructions that programs the actions of an organization.
@ Pages and References: p4
a. T
*b. F
2. Strategy is a unifying theme that gives coherence and direction to the actions and decisions of an organization.
@ Pages and References: p4
*a. T
b. F
3. The career success of both Queen Elizabeth II and Lady Gaga may be attributed mainly to the influences of luck and superior resources
@ Pages and References: p5
a. T
*b. F
4. If a firm can devise a brilliant strategy, it will be successful irrespective of how effectively it is implemented.
@ Pages and References: p5
a. T
*b. F
5. A key component of an effective strategy is clear, consistent, long-term goals.
@ Pages and References: p10
*a. T
b. F
6. A major problem of using SWOT analyses in distinguishing strengths from weaknesses and opportunities from threats.
@ Pages and References: p11
*a. T
b. F
7. The concept of “Strategic fit” describes the gap or fit between the environment and a firm’s strategy.
@ Pages and References: p13
*a. T
b. F
8. Contingency theory postulates that a firm’s strategy must be flexible in order to meet any possible contingency.
@ Pages and References: p11.
a. T
*b. F
9. Business strategy has intellectual origins in military strategy.
@ Pages and References: p12
*a. T
b. F
10. Strategy denotes the entire plan whereas a tactic refers to a scheme for specific actions.
@ Pages and References: p12
*a. T

b. F

11. Strategic decisions are important, involve a significant commitment of resources and should be easily reversible.

@ Pages and References: p12

a. T

*b. F

12. The main factor causing the transition from corporate planning to strategic management was the work of Michael Porter and fellow academics at Harvard Business School.

@ Pages and References: p13

*a. T

b. F

13. Strategy answers two basic questions: *where* and *how* to compete?

@ Pages and References: p18

*a. T

b. F

14. In the large, complex firm, two main levels of strategy can be distinguished: corporate strategy and business (or competitive) strategy.

@ Pages and References: p18

*a. T

b. F

15. A vision statement describes a company's purpose, while a mission statement projects what a company wants to be.

@ Pages and References: pp17-18

a. T

*b. F

16. An intended strategy is a set of initial ethical intentions; an emergent strategy comprises actions or changes that emerge from the organization or its environment; and finally, the realized strategy is the set of strategic changes and actions that actually takes place.

@ Pages and References: p21

a. T

*b. F

17. A firm's strategy can be described in terms of the answers to two questions: *What* is the form trying to achieve? And *how* is it building a competitive advantage?

@ Pages and References: p20

a. T

*b. F

18. The dynamic dimension of a firm's strategy ("competing for tomorrow") is described by its Mission statement, its vision statement, and its specific performance targets for the future.

@ Pages and References: p21

*a. T

b. F

19. According to Henry Mintzberg, while realized strategy is primarily an outcome of intended strategy, emergent strategy also plays an important role.

@ Pages and References: p22.

*a. T

b. F

20. The balance between intended and emergent strategy depends primarily upon the stability and predictability of the organization's business environment. The more stable and predictable the environment, the greater the importance of emergent strategy.

@ Pages and References: p23

- *a. T
- b. F

Multiple Choice Questions

21. The primary purpose of strategy is:

@ Pages and References: p4

- a. Being better than rivals
- *b. Achieving success
- c. Satisfying all stakeholders
- d. Being an excellent “corporate citizen”

22. The successful careers of both Queen Elizabeth II and Lady Gaga may be attributed to the fact that both:

@ Pages and References: pp4-5

- a. Have used dressing up as a means of attracting attention and establishing identity
- b. Have a knack for being in the right place at the right time
- *c. Have a consistency of direction based on clear goals
- d. Have built a loyal fan base based on astute use of the media.

23. For both individuals and businesses, successful strategies are characterized by:

@ Pages and References: p8

- a. Unrelenting commitment to ambitious goals
- *b. Clear goals, deep understanding the competitive environment, careful resource appraisal, and effective implementation
- c. Meticulous planning
- d. The possession of superior abilities and resources which are then deployed to build competitive advantage.

24. Strategic goals should be:

@ Pages and References: pp9-10

- a. Simple
- b. Consistent
- c. Long term
- *d. All of the above

25. The main problem of SWOT as a framework for strategy analysis is that:

@ Pages and References: p11

- a. Distinguishing opportunities from threats and strengths from weaknesses is often difficult
- b. It has been around for five decades and has now been superseded by more sophisticated analytical frameworks
- c. It is focused on strategy formulation and fails to take account of strategy implementation
- d. It is so widely used that it no longer has any novelty.

26. If a firm adjusts its strategy to ensure it is consistent with its external environment, it benefits from a:

@ Pages and References: p10

- *a. Strategic fit
- b. Strategic leadership
- c. Location within an attractive industry
- d. A license to operate

27. Strategic fit refers to:

@ Pages and References: pp10-11

- a. The need for a firm’s strategy to be consistent with its vision, mission, and culture
- *b. The consistency of a firm’s strategy with its external and internal environments
- c. The need for a firm’s strategy to be unique
- d. The need for a firm’s strategy to meet the needs of all its stakeholders, not just shareholders

28. Ryanair's strategic position as Europe's lowest-cost airline may be attributed to:

@ Pages and References: pp11-12

- a. The willingness of its CEO, Michael O'Leary, to challenge conventional notions of customer and employee satisfaction
- b. Its use of secondary airports where costs are lower
- c. The high operating costs of major airlines such as British Airways, Lufthansa, and Air France-KLM on short-haul routes
- *d. An integrated, consistent set of activities designed to maximize productivity and minimize operating costs.

29. The principal similarity between business and military strategy is that:

@ Pages and References: p12

- a. They share the same objective: to annihilate rivals
- *b. They share common concepts and principles
- c. The nature of leadership is much the same whether in a military or business context
- d. They are both concerned with tactical maneuvers that can establish positions of advantage.

30. In the military field, we generally make the following distinction between strategy and tactics:

@ Pages and References: p12

- a. Tactics comprise the overall plan whereas strategy focuses on specific actions
- *b. Tactics relate to specific actions whereas strategy relates to the overall plan
- c. Tactics encompass specific political actions within the firm whereas strategy is the overall plan for deploying resources to establish a favorable position
- d. Tactics form the overall plan whereas strategy is concerned with the maneuvers to win battles

31. The main reason for the transition from corporate planning to strategic management during the latter half of the 1970s was:

@ Pages and References: p13

- a. The influence of Michael Porter
- b. Disappointing returns of corporate diversification
- *c. A more turbulent business environment that became increasingly difficult to predict
- d. Growing disillusionment with central planning.

32. The primary distinction between corporate strategy and business strategy is:

@ Pages and References: p19

- a. Corporate strategy is the responsibility of the CEO, business strategy is formulated by the heads of business units
- *b. Corporate strategy is concerned with where the firm competes; business strategy with how it competes
- c. Corporate strategy is concerned with establishing competitive advantage; business strategy with strategy implementation in individual businesses
- d. Corporate strategy is concerned with the long-term performance of the firm; business strategy with resource deployment.

33. The notion of "strategic fit":

@ Pages and References: p10

- a. Is common in strategic literature but means different things to different experts
- b. Implies deep coherence across all functions within the organization
- c. Expresses how well a firm's strategy fits its internal environment
- *d. Answers a and c

34. "Strategy" derives from a Greek word meaning:

@ Pages and References: p13

- a. The art of arranging men in a battlefield
- *b. Generalship
- c. The art of maintaining a state's security

d. Maintaining ethical and spiritual purity

35. The book that is considered as the first treatise on strategy is:

@ Pages and References: p12

- a. Carl Von Clausewitz's Vom Kriege (On war)
- *b. Sun Tzu's Art of War
- c. The Bible
- d. Niccolo Machiavelli's Dell'arte della Guerra (The art of war)

36. Military strategy and business strategy differ in that:

@ Pages and References: p12

- a. There is no concept like tactics in business
- b. Good military strategist must first be a good military tactician – practicing it in the field first
- *c. The objective of military strategy is to defeat the enemy; business strategy seeks coexistence rather than annihilation
- d. None - there is no conceptual difference

38. In the 1980s, Michael Porter pioneered:

@ Pages and References: p13

- *a. The application of industrial organization economics for analyzing industry profitability
- b. The development of "PIMS" at the Strategic Planning Institute
- c. The first synthesis of the resource and capability approach
- d. The application of game theory to strategic management

39. During the 1990s, the focus of strategy analysis shifted:

@ Pages and References: p14

- a. From corporate planning to strategic management
- *b. To the role of resources and capabilities as a foundation for firm strategy
- c. To the application of microeconomics to analyze the sources of firm profitability
- d. From the structure-based approach to the value-added perspective

40. The increasingly complex business environment of the 21st century has resulted in:

@ Pages and References: p14

- a. Firms shifting their emphasis towards the growth markets of Asia, Africa, and Latin America. Firms abandoning shareholder value maximization in favor of maximizing stakeholder interests
- *c. Firms increasingly depending upon other firms through outsourcing and strategic alliances
- d. Firms embracing digital technologies

41. The expression "blue oceans" in strategic management is:

@ Pages and References: p14

- a. only a figure of speech
- b. a concept that signifies the immensity of potential new markets
- c. a concept employed in the US Navy's strategic planning process
- d. an expression coined by business school professors to make their book more appealing to practicing managers

42. When the environment becomes more turbulent, unpredictable, and full of new opportunities:

@ Pages and References: p16

- a. strategy appears to not be very useful
- *b. strategy becomes a vital tool to navigate the firm through "stormy seas"
- c. strategy should be put into the hands of external consultants
- d. strategy becomes an "impossible exercise"

43. The essence of strategy is:

@ Pages and References: p12-16

- a. Making choices
- b. Doing things differently
- c. Where and how to compete

*d. All of the above

44. The two questions of “where and how to compete” define:

@ Pages and References: p18

- *a. a firm’s corporate and business strategies
- b. a firm’s strategic management process
- c. a firm’s vision and mission
- d. a firm’s values and culture

45. How do corporate level strategy and business level strategy differ?

@ Pages and References: p18

- *a. Corporate strategy defines the scope of a firm’s activities, while business strategy focuses on how to beat the competition in a specific product market
- b. Corporate strategy defines the scope of a firm’s structure, while business strategy emphasizes the relationship of each business with its environment (state, regulators, etc.)
- c. Corporate strategy focuses on the overall strategic plan, while business strategy focuses on implementing strategic decisions in each product market
- d. Corporate level strategy is concerned with long term goals, while business level strategy focuses on short term sustainability

46. Corporate strategy is concerned with:

@ Pages and References: p19

- *a. the scope of the firm in terms of industries and markets, and the allocation of its resources
- b. a firm’s relationships with its principal stakeholders
- c. the corporate governance of each individual business
- d. None of the above

47. Business strategy defines:

@ Pages and References: p19

- a. the way a firm competes in a particular industry or market
- b. the way a firm establishes a competitive advantage over its rivals within a specific industry or market
- *c. Both of the above
- d. Neither of the above

48. Between the two levels of strategy, the division of responsibility is consistent with the following principle:

@ Pages and References: p19

- a. There is no principle but only limited rationality and trial-and-error processes to find the best allocation between different levels of management
- *b. Corporate level strategy is the domain of headquarters executives, while division managers are in charge of their business level strategies
- c. Corporate level strategy is the domain of the parent company; business level strategy is handled by the functional department managers
- d. Corporate and business level strategies are not any specific organizational level’s responsibility because of the principle of maximum delegation and decentralization

49. In regard to strategy making, most firms are likely to exhibit:

@ Pages and References: p23

- *a. A combination of design and emergence
- b. A decentralized, bottom-up process
- c. An interaction between strategic design, through organizational processes, and strategic enactment through decisions made by all
- d. Limited involvement by boards of directors

50. Strategy improves decision-making by:

@ Pages and References: pp16-17

- a. Reducing the number of choices being considered
- b. Integrating and pooling the knowledge of different members of the organization
- c. Facilitating the use of analytic tools

*d. All of the above

51. Honda's successful entry into the US motorcycle market has:

@ Pages and References: p23

- *a. Provided a battleground for the debate opposing the Design School and the Learning School
- b. Been an extraordinary epic where players were discovering the field while dealing with its traps
- c. Shown that the rational and analytical model was superior to the emergence model because only intensive analysis and forecasting were able to fuel this success story
- d. Shown the difficulty of entering the US market for Japanese firms because of the cultural, organizational, and legal gaps

52. In all organizations, strategy making involves a combination of top-down strategy design and decentralized emergence. The balance between the two depends mainly upon:

@ Pages and References: p23

- a. How turbulent and unpredictable is the external environment of the organization
- b. The extent to which decision making is centralized
- c. The commitment of the organization to experimentation
- d. The extent to which the organization has a formalized process of strategic planning.

53. The applicability of the tools and techniques of strategy analysis to not-for-profit organizations is:

@ Pages and References: p25

- a. Greater for organizations that face competitions than those that do not.
- b. Greater for organizations that charge for their services than those which do not
- c. Greater for organizations that both charge for their services and face competition than those which are monopolists providing services free of charge.
- d. Is severely limited by the lack of a profit motive.

Essay questions

54. Lady Gaga has been compared to Madonna with regard to her ability to court popularity and cultivate fame. In terms of strategy, what do you see as the main similarities and main differences between Lady Gaga and Madonna?

Answer. The basic principles of strategy: clear goals, understanding the environment, awareness of resources and capabilities, and effective implementation are features of both artists. Both have adapted to the emerging business models of popular music; both have used adaptation, surprise, and shock as key tools for engaging the media and fans. Both have allied with talented individuals within the industry.

However there are differences: Lady Gaga's image changes are fast cycle compared to Madonna. Lady Gaga puts even greater emphasis on visual impact and less on audio impact than Madonna placed sex at the center of her image and quest for attention—Lady Gaga is clearly feminine but startlingly asexual. Lady Gaga's relationship with her fans is also different—much more a cult leader, which is fostered through social media.

Reference: pp8-9

55. Why are we able to affirm that "understanding" is the key word across the four attributes of strategy that lead to success?

Answer. These four attributes are:

- 1 Goals
- 2 Competitive environment
- 3 Resources
- 4 Implementation

For each of these four attributes, gaining an accurate insight into the concepts involved is critical. Thus a deep understanding—knowledge about the content, the causes, the drivers and the consequences- of goals, of competitive environment, and of the firm's resources and

the implementation process is key to success. Knowing these phenomena require theoretical and practical insights, linked with some forecasting or betting, because a great deal of uncertainty does exist.

References: pp9-11

56. Why do we use the basic framework for strategy analysis?

Answer. This basic framework consists of three main large variables:

- 1 The firm
- 2 Strategy
- 3 The industry environment

It allows managers and researchers to reduce the complexity of the real world and to “manipulate” variables at a higher level of abstraction. A model is always a representation (generally simplified) of a phenomenon. Therefore, it helps strategic decision makers to build a representation of reality through a system and to forecast what could happen if..., then to identify and design the best actions to undertake for success.

References: p10

57. What are the similarities and differences between strategy in the business world and in the military arena?

Answer. Both types of strategies share some attributes such as:

- 1 They are important for overall success,
 - 2 They involve a significant commitment of resources,
 - 3 They are largely irreversible,
 - 4 They accommodate the classic distinction between strategy and tactic,
 - 5 They share lessons and principles applicable in both fields and
 - 6 They lack a comprehensive and global theory that explains and guarantees universal success.
- However, although strategy in the military field often implies the total destruction of the enemy, different intermediate situations have been identified in the business world; rivals may tolerate each other, or even cooperate and compete simultaneously. Total destruction and the emergence of monopolies is not often a realistic option.

References: pp12-13

58. Why is integration and cohesiveness a major issue in strategic management?

Answer. Because strategy is characterized by complexity, uncertainty, multiple levels of variables, many players, and a broad scope of involved variables. Because strategic management is envisioning, designing and building the future of the organization, integrating, injecting cohesiveness and consistency between many conflicting objectives, organizational players at different levels, and extremely diverse variables, is an absolute requirement. Most organizations suffer from a lack of integration; achieving effective integration is probably one of the most daunting tasks of strategic management.

References: pp15-17

59. Are corporate-level strategic decisions only made by top managers?

Answer. In most cases, top managers are in charge of the corporate level strategy, which consists of the definition of the scope of the firm’s business portfolio and the determination of the fundamental orientation and “strategic formulae” of the firm. Corporate strategy is a unifying theme across the different businesses. Top managers are in an organizational position that allows them to understand the big picture and the entirety of the strategic dimensions. They determine corporate strategy with the help of corporate staff.

However, they have to take into account the actions of all the members of the organization who contribute daily to the implementation of the strategic orientations. Top managers rely upon information delivered by all levels of the organization and must integrate the existing variables in their strategy design. Therefore, corporate strategy decisions are made by top managers relying on and thanks to a “functioning organization”.

References: p19-20

60. How can a start-up strategy be identified?

Answer. A start-up is like a baby just entering our world. He has no past and his future is completely ahead. However, a baby already has assets and capabilities that will be developed during his lifetime. For a firm, at least an individual founder has started the firm and he has objectives, plans, a founding fundamental idea, products or services, a market to serve, and so on. All of these elements are usually integrated into a business plan and used to attract capital. Therefore, strategic dimensions exist at an embryonic stage within a start-up but they do exist. Internal variables such as structure, culture, and other dimensions appear less complex than in large and older organizations but they are present. Their existence is critical for the start-up survival because the weakness of its available resources and experience appear as strong obstacles to its development.
References: p19-20

61. Is the business strategy the strategy of a part of the firm or the strategy of the whole firm competing in a specific market?

Answer. This question relates to at least two elements:

1 the distinction between corporate and business level strategies

2 the organizational support of the business level strategy (which organizational actors deal with it in the firm?)

Corporate level strategy consists of the choice of the business portfolio of the firm and of the overall integration of all strategic orientations. Business level strategy deals with "how to" compete in a specific business, which can be defined simply as a product x market combination. Therefore, generally the business level strategy or the responsibility to design and implement orientations for the future of a specific business is delegated to a division or a subsidiary. This division or subsidiary is also in charge of running the operations for this business. We can frame the situation as both propositions pertinent simultaneously:

a a part of the firm strategy because there is a vertical relationship of inclusion of all business strategies within the corporate level strategy

b the whole firm competing in a specific market because even if a division is more specifically in charge of the business, the firm's overall resources are mobilized for this goal.

References: p18-20