

## **TESTBANK: CHAPTER 1**

### **The Concept of Strategy**

#### **True/False Questions**

1. Strategy is a detailed plan that programs the actions of an organization or an individual.  
[See pp.15-16]
  - a. T
  - b. F\*
2. Strategy is a unifying theme that gives coherence and direction to the actions and decisions of an organization.  
[See p.4]
  - a. T\*
  - b. F
3. The career success of both Queen Elizabeth II and Lady Gaga may be attributed to their willingness to engage in systematic strategic planning  
[See pp.4-5]
  - a. T
  - b. F\*
4. If a firm can devise a brilliant strategy, it will be successful irrespective of how effectively it is implemented.  
[See p.5]
  - a. T
  - b. F\*
5. A key component of an effective strategy is clear, consistent, long-term goals.  
[See p.5]
  - a. T\*
  - b. F
6. A major problem of using SWOT analyses in distinguishing strengths from weaknesses and opportunities from threats.  
[See p.11]
  - a. T\*
  - b. F
7. “Strategic fit” related to the consistency between a firm’s strategy and, on one hand, its external environment and, on the other, its internal resources and capabilities.  
[See p.10]
  - a. T\*
  - b. F
8. Contingency theory postulates that a firm’s strategy must to flexible in order to meet any possible contingency.  
[See p.11]
  - a. T
  - b. F\*

9. Many of the concepts and theories of business strategy have their origins in military strategy.  
[See p.12]  
a. T\*  
b. F
10. Strategy denotes an overall plan whereas a tactic is a scheme for a specific action.  
[See p.12]  
a. T\*  
b. F
11. Strategic decisions are important, involve a significant commitment of resources, and should be easily reversible.  
[See p.12]  
a. T  
b. F\*
12. The main factor causing the transition from corporate planning to strategic management was the influence of business school academics such as Michael Porter at Harvard Business School.  
[See p.13]  
a. T\*  
b. F
13. Strategic choices involve two basic questions: *where* and *how* to compete?  
[See p.18]  
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.  
[See p.18]  
a. T\*  
b. F
15. When describing the strategy of a firm, it is best to ignore the current positioning of the firm in order to concentrate upon the direction in which the firm will develop in the future.  
[See p.21]  
a. T  
b. F\*
16. The reason that a firm's realized strategy diverges from its intended strategy is because strategy making is, to a great extent, an emergent process.  
[See p.22]  
a. T\*  
b. F
17. According to Henry Mintzberg, firm strategy should be formulated by top management through rational deliberation utilizing all available data.  
[See p.22]  
a. T  
b. F\*

18. The dynamic, future-oriented dimension of a firm's strategy is described by its mission and vision statements and its performance targets.

[See p.21]

- a. T\*
- b. F

19. 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.

[See p.23]

- a. T
- b. F\*

20. Applying the tools of strategy analysis to not-for-profit organizations is simplified by the fact that they do not need to be concerned with maximizing profit.

[See p.27]

- a. T
- b. F\*

## Multiple Choice Questions

21. The primary purpose of strategy is:

[See p.4]

- a. To maximize shareholder value
- b. To achieve success\*
- c. To create value for all stakeholders
- d. To be a responsible corporate citizen

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

[See pp.4-9]

- 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:

[See p.6-7]

- a. Unrelenting commitment to ambitious goals.
- b. Clear goals, understanding their competitive environment, awareness of internal strengths and weaknesses, and effective implementation.\*
- c. Meticulous planning.
- d. Possessing superior abilities and resources that are then deployed to build competitive advantage.

24. Strategic goals should be:

[See p.10]

- a. Simple
- b. Consistent
- c. Long term
- d. All of these\*

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

[See p.11]

- a. Distinguishing opportunities from threats and strengths from weaknesses is often difficult.\*
- b. It 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. Strategic fit refers to:

[See p.10]

- 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 fit the needs of all its stakeholders, not just shareholders

27. A conceptualization the firm as an "activity system" is a means of depicting:

[See pp.10-11]

- a. The extent to which a management is motivated to implement a firm's strategy
- b. The extent to which a firm's resources and capabilities are aligned with its strategic goals
- c. The extent to which a firm's strategic goals are aligned with its industry environment
- d. Consistency among a firm's activities\*

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

[See pp.11-12]

- 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:

[See p.12]

- 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:

[See p.12]

- 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:

[See p.13]

- a. The increasing costs of corporate planning departments.
- b. Disappointing outcomes 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:

[See p.18]

- 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. A description of a company's organizational purpose is called a \_\_\_\_\_?

[See p.10]

- a. Vision statement
- b. Values statement
- c. Mission statement\*
- d. All the above

34. Strategy has its origins in:

[See p.17]

- a. Thought\*
- b. Discussion
- c. Analytical techniques
- d. Ethics

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

[See p.12]

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

36. Military strategy and business strategy differ in that:

[See p.12]

- a. There is no concept like tactics in business
- b. Military strategy can only be learned through field experience; business strategy can be developed through analytical frameworks
- 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 late 1970s and early 1980s, Michael Porter pioneered:

[See p.13]

- a. The application of industrial organization economics to strategic decisions\*
- b. Empirical research into the relationship between market share and firm profitability
- c. The resource-based view of the firm
- d. The application of game theory to strategic management

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

[See p.14]

- 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. To the analysis of value-added as the basis for strategic decisions

40. During the 21st century, the complexity of the challenges posed by disruptive, digital technologies and accelerating rates of change has encouraged companies to:

[See p.14]

- a. Shift their strategic focus towards the growth markets of Asia, Africa, and Latin America.
- b. Rejecting shareholder value maximization in favor of maximizing stakeholder interests.
- c. Depend increasingly upon strategic alliances and other forms of collaboration.\*
- d. Prefer mergers and acquisitions to organic growth.

41. In strategic management, the expression “blue oceans” refers to:

[See p.14]

- a. Radical innovation
- b. The potential offered by uncontested market space\*
- c. A key theme in the US Navy’s strategic planning process
- d. The ability to cut costs through moving production to offshore locations.

42. When the environment becomes more turbulent and unpredictable:

[See p.15]

- a. Strategy becomes less important than intuition
- b. Strategy becomes an increasingly important as a source of direction\*
- c. External consultants need to play a greater role in strategy making
- d. Strategy becomes an impossible exercise

43. Strategy can help decision making by:

[See p.16]

- a. Expanding the range of decision alternatives under consideration
- b. Ensuring that strategic decisions are restricted to the CEO and top management team
- c. Facilitating the use of analytical tools\*
- d. All of these

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

[See p.18]

- 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. The main difference between corporate level strategy and business level strategy is:

[See pp.17-18]

- a. Corporate strategy defines the scope of a firm’s activities, while business strategy focuses on how to beat the competition in specific product markets\*
- b. Corporate strategy defines a firm’s overall structure, while business strategy describes its actions
- c. Corporate strategy comprises the overall strategic plan, while business strategy focuses on implementing that strategy in each product market
- d. Corporate level strategy is concerned with long term goals, while business level strategy focuses on short term competitiveness

46. When identifying a company's strategy, its statements of a strategy found in its public documents need to be:

[See pp.17-18]

- a. Treated with skepticism
- b. Checked against the company's decisions and actions\*
- c. Interpreted using modern techniques of textual analysis
- d. Checked against its statements of vision and mission

47. Business strategy defines:

[See p.19]

- 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. The division of responsibility between corporate and business strategy is consistent with the following principle:

[See p.19]

- a. The hierarchical nature of authority within organizations
- b. Corporate level strategy is the domain of headquarters executives; divisional managers are responsible for business strategies\*
- c. Corporate level strategy is the domain of the parent company; functional managers are responsible for business strategies
- d. Delegation is the key to reconciling responsiveness and adaptability with overall integration

49. The relationship between design and emergence in strategy making is best described as:

[See p.23]

- a. An interactive process between strategic planners and line managers
- b. A tension between the forces of centralization and decentralization
- c. A process in which intended strategy is adapted as it is implemented\*
- d. An example of the agency problem in which the interests of salaried managers displace the interests of owners

50. Strategy improves decision-making by:

[See pp.16-17]

- 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 these\*

51. The main value of analytical approaches to strategy formulation is:

[See pp.23-24]

- a. To identify the optimal strategy that a firm should adopt.
- b. To provide understanding of strategic issues.\*
- c. To substitute for manager's intuition and creativity.
- d. To ensure that strategic decision making is assigned to the capable people within the organization

52. The extent to which an organization's strategy is determined by decentralized emergence rather than by centralized design depends mainly upon:

[See pp.22-23]

- a. How turbulent and unpredictable is the external environment of the organization.\*

- b. How the organization is structured.
- c. The commitment of the organization to experimentation.
- d. Whether 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:

[See p.26-28]

- a. Greater for organizations that face competition than those that do not\*
- b. Greater for organizations that charge for their services than those which do not
- c. Greater for organizations that compete to for funding than those which compete for customers.
- d. Is severely limited by the lack of a profit motive