

CHAPTER 1

THE CONCEPT OF STRATEGY

CHAPTER LEARNING OBJECTIVES

1. ***Appreciate the contribution that strategy can make to successful performance, both for individuals and for organizations.*** We argue that success is associated with strategy. In particular, success is linked to adoption of goals that are simple, consistent, and long term; having a profound understanding of the competitive environment; objective appraisal of resources; and effective implementation.

2. ***Be aware of the origins of strategy and how views on strategy have changed over time.*** Strategy derives from the Greek word *strategia* but its roots are believed to lie with the art of war. Strategy has been driven by the practical needs of business and has moved from a focus on corporate planning to an emphasis on strategic management.

3. ***Be familiar with some of the key questions and terminology in strategy.*** We have outlined six key questions: What is strategy? How can strategy be described? How can strategy be identified? How is strategy made? What roles does strategy play? Whose interests does strategy serve? In our discussion of these topics, we have introduced a range of key terms.

4. ***Understand the debates that surround corporate values, sustainability, and social responsibility.*** Our discussion of whose interests strategy serves led to a further discussion on whose interests strategy should serve: shareholders or stakeholders? We reviewed the arguments on both sides.

5. ***Gain familiarity with the challenges of strategy making in not-for-profit organizations.*** Strategy is as important for not-for-profit organizations as it is for for-profit firms and many of the same concepts and tools are applicable to both types of organization. However, it is useful to distinguish between those not-for-profits that operate in competitive environments and those that do not. Appropriate tools for strategic analysis differ between these different types of organization.

6. ***Comprehend the basic approach to strategy that underlies this book.*** Our approach focuses primarily on private sector for-profit firms. The key tools of strategic analysis are discussed in Chapters 2 and 3 before addressing business strategy and the quest for competitive advantage in Chapters 4, 5, and 6. Chapter 7 deals with the principles of corporate strategy. Strategy implementation, strategy in a global context, and the role of corporate responsibility and sustainability in the strategy of the firm are contained within Chapters 8, 9, and 10, respectively.

TRUE-FALSE STATEMENTS

1. Strategy today is essentially a detailed plan which every member of the organization must follow to ensure success.

Answer: False

Difficulty: Easy

Section Reference: Introduction and Objectives

2. Strategy is in essence a long-term plan for an organization to achieve its long-term objectives.

Answer: True

Difficulty: Easy

Section Reference: The Role of Strategy in Success

3. For most firms, although good luck may play a part, success is more likely to be a result of a soundly grounded and well executed strategy.

Answer: True

Difficulty: Medium

Section Reference: The Role of Strategy in Success

4. Sound strategy and implementation largely determine the probability and extent of the success of a firm.

Answer: True

Difficulty: Medium

Section Reference: The Role of Strategy in Success

5. A sound strategy relies on four factors: simple, long-term and consistent goals; profound understanding of the competitive environment; objective appraisal of resources; and effective implementation of strategic decisions.

Answer: True

Difficulty: Easy

Section Reference: The Role of Strategy in Success

6. Usually, business success has been proved to rely in the end on superior resources.

Answer: False

Difficulty: Easy

Section Reference: The Role of Strategy in Success

7. From the military arena, tactics are about actions and techniques for winning battles, whereas strategy is about winning the war.

Answer: True

Difficulty: Easy

Section Reference: A Brief History of Strategy

8. Strategic decisions are likely to significantly affect the organization as a whole and involve major resource commitment.

Answer: True

Difficulty: Medium

Section Reference: A Brief History of Strategy

9. Business strategy has largely evolved from the theories put forward by academics.

Answer: False

Difficulty: Easy

Section Reference: A Brief History of Strategy

10. Strategy in the 1950s and 1960s was dominated by top-down corporate planning and so-called scientific management.

Answer: True

Difficulty: Medium

Section Reference: A Brief History of Strategy

11. In the 1970s and 1980s, strategy evolved to be viewed more in terms of competition, competitive advantage, market share, and profit.

Answer: True

Difficulty: Medium

Section Reference: A Brief History of Strategy

12. Strategy today has been forced to evolve to cope with an increasingly fast-paced and volatile environment, making inflexible long-term plans redundant.

Answer: True

Difficulty: Medium

Section Reference: A Brief History of Strategy

13. In summary, strategy has evolved from "strategy as a detailed plan" to become "strategy as direction" in the early 21st century.

Answer: True

Difficulty: Easy

Section Reference: Strategy Today

14. Corporate strategy is also called business strategy, or competitive strategy.

Answer: False

Difficulty: Easy

Section Reference: Strategy Today

15. To determine a large firm's strategy, it's sufficient to read the annual corporate report.

Answer: False

Difficulty: Easy

Section Reference: Strategy Today

16. Much can be learned about a firm's actual strategy by looking at where it invests most money, and what products, services, and technologies it is working on.

Answer: True

Difficulty: Easy

Section Reference: Strategy Today

17. Some observers have noticed that there's only a weak link between a firm's intended or stated strategy, and its actual or realized strategy.

Answer: True

Difficulty: Medium

Section Reference: Strategy Today

18. The essential purpose of a commercial firm can be seen as creating value for customers, and then to appropriate a portion of this value for the firm.

Answer: True

Difficulty: Easy

Section Reference: Strategy Today

19. Company law throughout the developed, industrialized world including Asia and Europe

obliges firms to solely focus on profit for shareholders.

Answer: False

Difficulty: Medium

Section Reference: Strategy: Whose Interests Should Be Prioritized?

20. Paradoxically, the most consistently profitable companies are those whose primary goals are NOT stated in terms of profits.

Answer: True

Difficulty: Medium

Section Reference: Strategy: Whose Interests Should Be Prioritized?

MULTIPLE CHOICE QUESTIONS

21. Strategy is fundamentally about

- a) being better than rivals.
- b) success in achieving long-term goals.
- c) satisfying all stakeholders.
- d) being an excellent “corporate citizen”.

Answer: b

Difficulty: Medium

Section Reference: The Role of Strategy in Success

22. Select the best answer. Success is fundamentally linked to

- a) a soundly formulated strategy and luck.
- b) an effectively formulated strategy and a strong awareness of the rivals’ strengths.
- c) a clear understanding of the environment and strong political skills.
- d) a soundly formulated and effectively implemented strategy.

Answer: d

Difficulty: Medium

Section Reference: The Role of Strategy in Success

23. Strategic goals should be

- a) simple.
- b) consistent.
- c) long term.
- d) all of the above.

Answer: d

Difficulty: Easy

Section Reference: The Role of Strategy in Success

24. Appraising a firm’s resources consists of

- a) protecting the firm from its weaknesses and trying to reduce or eliminate them.
- b) leveraging the firm’s strengths to increase market share and profit.
- c) a and b.
- d) completing 360-degree analytical evaluations of top managers’ strengths and weaknesses.

Answer: c

Difficulty: Medium

Section Reference: The Role of Strategy in Success

25. The success of an organization, in general, depends on the following:

- a) being consistently focused on an achievable goal.
- b) having a strong and in-depth knowledge of the competitive environment.
- c) realistic appraisal of its own strengths and weaknesses.
- d) all of the above plus the ability to implement strategy with commitment, consistency and determination.

Answer: d

Difficulty: Easy

Section Reference: The Role of Strategy in Success

26. Modern strategy applied to the business world shares with military strategy

- a) only linguistic roots.
- b) some authors such as sun tzu and his "art of war".
- c) the existence of resources, conflict, and battle between players.
- d) decisions of significance to overall success, and major resource commitment.

Answer: d

Difficulty: Medium

Section Reference: A Brief History of Strategy

27. Strategy and tactics

- a) are interchangeable terms.
- b) relate to achievement of overall long-term objectives, and multiple short-term objectives, respectively.
- c) can be seen as what top managers do and what lower level employees do, respectively.
- d) none of the above.

Answer: b

Difficulty: Medium

Section Reference: A Brief History of Strategy

28. Select the best answer. Modern business strategy has evolved across time due to

- a) changes in demographics.
- b) changes in laws and demographics.
- c) the needs of business.
- d) none of the above.

Answer: c

Difficulty: Medium

Section Reference: A Brief History of Strategy

29. In the twenty-first century strategy has become less about sustaining competitive advantage and more about

- a) business school academics developing new theories, which are taught to new graduates.
- b) earlier methods have simply been seen as old-fashioned.
- c) flexibility and successive temporary advantages.
- d) computerisation and the internet age meaning that we know more about what's really

going on nowadays.

Answer: c

Difficulty: Medium

Section Reference: A Brief History of Strategy

30. By the 1990s, thinking on strategy had shifted to

- a) an emphasis on competition, market share and industry profitability.
- b) the development of the "PIMS" at the Strategic Planning Institute.
- c) resources and capabilities of the firm.
- d) the management of political, economic and technological influences.

Answer: c

Difficulty: Medium

Section Reference: A Brief History of Strategy

31. The shift from Corporate Planning to Strategy Making implies

- a) from the sources of profit outside the firm to the sources of profit within the firm.
- b) to the resource-based view of the firm.
- c) both a and b.
- d) from the structure-based approach to the value-added perspective.

Answer: c

Difficulty: Hard

Section Reference: A Brief History of Strategy

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

- a) tactics are the overall plan whereas strategy focuses on specific actions.
- b) tactics are a scheme of specific everyday actions, practices and techniques whereas strategy relates to the top-level 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 are the overall plan whereas strategy is concerned with the maneuvers to win battles.

Answer: b

Difficulty: Medium

Section Reference: A Brief History of Strategy

33. A contemporary phenomenon is known as "winner-take-all markets". This concept is exemplified by

- a) Enron and WorldCom.
- b) E-Trade and WebVan.
- c) Microsoft (PC software) and Intel (PC core processors).
- d) Peapod in grocery retailing.

Answer: c

Difficulty: Hard

Section Reference: A Brief History of Strategy

34. The 1950s/60s style of corporate planning assumed that
- a) there would be almost no difference between the intended strategy and the realized strategy.
 - b) the business world is essentially a predictable environment.
 - c) there was unlikely to be anything unexpected to occur of sufficient importance to disrupt the strategic plan.
 - d) all of the above.

Answer: d

Difficulty: Hard

Section Reference: A Brief History of Strategy

35. The simplest useful definition of business strategy would be
- a) a sort of plan.
 - b) a conceptual construct relating to the juxtaposition of corporate richness versus the snakes and ladders of a kaleidoscopic environment.
 - c) how to win the corporate wars; price wars, technology races, develop killer applications.
 - d) how to compete within an industry or market.

Answer: d

Difficulty: Medium

Section Reference: Strategy Today

36. Corporate and business strategy differ mainly in that
- a) corporate strategy has a broader scope, including decisions about which industries to operate in.
 - b) business strategy is the responsibility of top management.
 - c) both a and b.
 - d) there is no real difference; they are the same thing.

Answer: a

Difficulty: Hard

Section Reference: Strategy Today

37. Business strategy can be summarized as
- a) establishing a competitive advantage over rivals.
 - b) the means by which individuals achieve their objectives.
 - c) the formal detailed plans used by organizations to guide their actions.
 - d) the will of top managers to change their organization.

Answer: a

Difficulty: Easy

Section Reference: Strategy Today

38. A good starting point to identify a large firm's strategy is

- a) to read the annual corporate report.
- b) to call the CEO and ask him/her what the strategy is.
- c) to look on the company's website.
- d) to search the internet to find out if someone else has already done the work.

Answer: a

Difficulty: Medium

Section Reference: Strategy Today

39. In addition to just reading published information, to identify a firm's strategy you could

- a) identify where the company is making most of its investments.
- b) identify where the company is doing most of its business.
- c) find out what new products and services the company is putting most effort into.
- d) all of the above.

Answer: d

Difficulty: Easy

Section Reference: Strategy Today

40. The shift in strategy from a plan to a direction leads to

- a) a downgrade its role in management.
- b) an overt reliance on flexibility and responsiveness.
- c) a need for top managers' training.
- d) less work for top managers.

Answer: b

Difficulty: Medium

Section Reference: Strategy Today

41. As the environment becomes more turbulent, or unpredictable,

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

Answer: b

Difficulty: Medium

Section Reference: Strategy Today

42. The difference between intended and realized strategy is

- a) so great that arguably only 30% of intended strategy becomes realized.
- b) greater in unsuccessful companies.
- c) unimportant, because no-one ever expects the intended strategy to seriously be

implemented.

d) only a very small difference, in general.

Answer: a

Difficulty: Easy

Section Reference: Strategy Today

43. Two basic questions concerning corporate and business strategy are:

a) Where and how to compete?

b) How and when to compete?

c) What are the best arenas and structures to compete?

d) When and where to compete?

Answer: a

Difficulty: Easy

Section Reference: Strategy Today

44. Select the best answer. Business strategy is a combination of

a) goals and objectives.

b) intended and emergent strategy.

c) strategic objectives and financial analysis.

d) none of the above.

Answer: b

Difficulty: Medium

Section Reference: Strategy Today

45. The role of strategy today is claimed to be

a) a unifying role underpinning all consequent decisions.

b) a means by which top management can communicate and gain commitment to a sense of direction.

c) a means by which top management can inspire and motivate the workforce.

d) all of the above.

Answer: d

Difficulty: Hard

Section Reference: Strategy Today

46. Business strategy defines

a) the way a firm competes in a particular industry or market.

b) how a firm gains a competitive advantage over its rivals within a specific industry or market.

c) both a and b.

d) neither a nor b.

Answer: c

Difficulty: Easy

Section Reference: Strategy Today

47. A strategy can be described as
- a) intended, emergent, or realized.
 - b) intended, emergent, or sustained.
 - c) emergent, critical, or sustained.
 - d) realized, emergent, failed.

Answer: a

Difficulty: Easy

Section Reference: Strategy Today

48. In practice, strategy making is
- a) a combination of centrally-driven rational design and decentralized adaptation.
 - b) a combination of luck, organizational politics, and centrally-driven planning.
 - c) the expression of political games among top managers.
 - d) none of the above.

Answer: a

Difficulty: Easy

Section Reference: Strategy Today

49. In regard to strategy making, most firms are likely to exhibit
- a) a combination of design and emergence.
 - b) a process labeled as “planned emergence”.
 - c) an interaction between strategic design, through formal top-level processes, and strategic enactment through decisions made by all management levels of the organization.
 - d) all of the above.

Answer: d

Difficulty: Medium

Section Reference: Strategy Today

50. The balance between designed strategy and emergent strategy depends mostly on
- a) the type of organizational structure.
 - b) the stability and predictability of a firm’s environment.
 - c) top managers’ personalities.
 - d) middle managers’ autonomy.

Answer: b

Difficulty: Easy

Section Reference: Strategy Today

51. Profit-making firms are about creating value:
- a) this value is simply the profit generated at the end of the year.

- b) they must create value for several stakeholder groups if this is to result in sustainable long-term profit generation.
- c) value to some stakeholders (e.g. customers) may be difficult to quantify in money terms.
- d) both c and b.

Answer: d

Difficulty: Hard

Section Reference: Strategy: Whose Interests Should Be Prioritized?

52. Maximising shareholder value

- a) is the sole objective of all profit-making companies in every country.
- b) is the primary legal obligation in most English-speaking countries.
- c) is not the only legal obligation in continental Europe, and in Asia. Firms here are legally obliged to take account of a broad range of stakeholder interests.
- d) both b and c.

Answer: d

Difficulty: Medium

Section Reference: Strategy: Whose Interests Should Be Prioritized?

53. Corporate social responsibility

- a) fits more readily with the continental europe and asian legal framework of broader stakeholder obligations.
- b) is not seen as an imperative requirement by all influential thinkers.
- c) is becoming more important for all firms to take account of due to the threat of adverse publicity.
- d) all of the above.

Answer: d

Difficulty: Medium

Section Reference: Strategy: Whose Interests Should Be Prioritized?

54. The textbook limits attention to

- a) the global business environment.
- b) profit-making companies in market economies.
- c) both public and private sector firms in english-speaking countries.
- d) profit making companies above a certain size.

Answer: b

Difficulty: Easy

Section Reference: The Approach Taken in This Book

55. The approach taken in the textbook primarily assumes that

- a) CSR is taking over from generating profits as the primary corporate goal.
- b) top managers determine the success of a firm by concentrating on short-term profits.
- c) the "anglo-saxon" model of shareholder capitalism is the right one.
- d) profit making firms are seeking to maximise profits for the owners over the long term.

Answer: d

Difficulty: Easy

Section Reference: The Approach Taken in This Book

56. The fundamental role of strategy is to

- a) determine how the firm will make a profit in its industry environment.
- b) determine how the firm will deploy its resources to satisfy its short-term financial goals.
- c) determine how the firm will deploy its resources to satisfy its long-term goals, given the conditions in the competitive environment.
- d) determine how the firm can organize its own activities and achieve dominance.

Answer: c

Difficulty: Medium

Section Reference: The Approach Taken in This Book

57. If a firm's strategy ensures it is consistent with both its internal and external environment, it achieves

- a) strategic fit.
- b) strategic adjustment.
- c) environment consistency.
- d) political and social fit.

Answer: a

Difficulty: Easy

Section Reference: The Approach Taken in This Book

58. The notion of "strategic fit"

- a) does not mean much, and is a common statement made in strategic literature.
- b) implies coherence between resources, capabilities, structure and systems.
- c) expresses how well a firm's strategy fits its internal and external environment.
- d) b and c.

Answer: d

Difficulty: Easy

Section Reference: The Approach Taken in This Book

59. The underlying purpose of studying strategy is

- a) to reach quick-fix decisions.
- b) to better understand the issues facing top managers.
- c) to work out how to best create value in the future.
- d) both b and c.

Answer: d

Difficulty: Medium

Section Reference: Summary

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