

## Chapter Two: Strategy

### Multiple Choice

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| <b>MC 2-1</b> | The four components of the strategy model are     |
| <b>a.</b>     | goals, products, markets, and activities          |
| <b>b.</b>     | financial resources, goals, markets, and products |
| <b>c.</b>     | focus, goals, activities, and financial resources |
| <b>d.</b>     | value, goals, focus, and activities               |

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| <b>Answer:</b>     | d        |
| <b>Difficulty:</b> | moderate |
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| <b>MC 2-2</b> | An organization's value proposition answers the question |
| <b>a.</b>     | Which markets should the business enter?                 |
| <b>b.</b>     | How does the business intend to attract customers?       |
| <b>c.</b>     | Which products should the business offer?                |
| <b>d.</b>     | How should the products of the business be priced?       |

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| <b>Answer:</b>     | b    |
| <b>Difficulty:</b> | easy |
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| <b>MC 2-3</b> | In the hands of the general manager, strategy is a tool for                   |
| <b>a.</b>     | establishing, directing, and controlling the operation of an organization     |
| <b>b.</b>     | creating, sustaining, and monitoring the direction of an organization         |
| <b>c.</b>     | establishing, implementing, and monitoring the performance of an organization |
| <b>d.</b>     | creating, sustaining, and assessing the operation of an organization          |

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| <b>Answer:</b>     | b    |
| <b>Difficulty:</b> | easy |
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| <b>MC 2-4</b> | The soft goals of an organization are targets for the |
| <b>a.</b>     | financial performance of the business                 |
| <b>b.</b>     | social conduct of the business                        |
| <b>c.</b>     | operation of the corporate office                     |
| <b>d.</b>     | organization's contributions to the community         |

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| <b>Answer:</b>     | b    |
| <b>Difficulty:</b> | easy |
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| <b>MC 2-5</b> | A 15% return on investment and a reduction in re-infection rates are examples of |
| <b>a.</b>     | shareholder priorities                                                           |
| <b>b.</b>     | soft goals                                                                       |
| <b>c.</b>     | hard goals                                                                       |
| <b>d.</b>     | corporate values                                                                 |

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| <b>Answer:</b>     | c        |
| <b>Difficulty:</b> | moderate |
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| <b>MC 2-6</b> | A growth strategy is one that implies the priorities are         |
| <b>a.</b>     | market share, return on investment, and shareholder satisfaction |
| <b>b.</b>     | increased sales, lower costs, and higher profits                 |
| <b>c.</b>     | market, plant, and personnel investments                         |
| <b>d.</b>     | revenue, cost containment, and higher earnings per share         |

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| <b>Answer:</b>     | c        |
| <b>Difficulty:</b> | moderate |
| <b>Page:</b>       | 22-23    |

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| <b>MC 2-7</b> | With a harvest strategy, you would expect the level of investment in plant and equipment to be |
| <b>a.</b>     | lower than for a growth strategy                                                               |
| <b>b.</b>     | the same as that for a growth strategy                                                         |
| <b>c.</b>     | higher than for a growth strategy                                                              |
| <b>d.</b>     | unrelated to the strategy                                                                      |

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| <b>Answer:</b>     | a        |
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| <b>MC 2-8</b> | The product market component of strategy refers to |
| <b>a.</b>     | price and market position                          |
| <b>b.</b>     | size of the target product market                  |
| <b>c.</b>     | product and market choice                          |
| <b>d.</b>     | the consumer needs of the target product market    |

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| <b>Answer:</b>     | c        |
| <b>Difficulty:</b> | moderate |
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| <b>MC 2-9</b> | What type of strategy presents new products to existing markets? |
| <b>a.</b>     | market penetration                                               |
| <b>b.</b>     | harvest                                                          |
| <b>c.</b>     | diversification                                                  |
| <b>d.</b>     | product development                                              |

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| <b>Answer:</b>     | d        |
| <b>Difficulty:</b> | moderate |
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| <b>MC 2-10</b> | An organization that provides products at a lower price than its competitors is competing on the basis of |
| <b>a.</b>      | brand recognition                                                                                         |
| <b>b.</b>      | cost                                                                                                      |
| <b>c.</b>      | differentiation                                                                                           |
| <b>d.</b>      | competitive parity                                                                                        |

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| <b>Answer:</b>     | b    |
| <b>Difficulty:</b> | easy |
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| <b>MC 2-11</b> | An organization that provides exclusive products is competing on the basis of |
| <b>a.</b>      | differentiation                                                               |
| <b>b.</b>      | cost                                                                          |
| <b>c.</b>      | goodwill                                                                      |
| <b>d.</b>      | competitive difference                                                        |

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| <b>Answer:</b>     | a        |
| <b>Difficulty:</b> | moderate |
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| <b>MC 2-12</b> | A firm that provides convenience and friendly service is pursuing a value proposition based on |
| <b>a.</b>      | service                                                                                        |
| <b>b.</b>      | execution                                                                                      |
| <b>c.</b>      | price                                                                                          |
| <b>d.</b>      | features                                                                                       |

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| <b>Answer:</b>     | b        |
| <b>Difficulty:</b> | moderate |
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| <b>MC 2-13</b> | A firm that discounts and offers rebates is pursuing a value proposition based on |
| <b>a.</b>      | features                                                                          |
| <b>b.</b>      | execution                                                                         |
| <b>c.</b>      | price                                                                             |
| <b>d.</b>      | reliability                                                                       |

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| <b>Answer:</b>     | c        |
| <b>Difficulty:</b> | moderate |
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| <b>MC 2-14</b> | A firm that focuses on image and design is competing on the basis of |
| <b>a.</b>      | function                                                             |
| <b>b.</b>      | fashion                                                              |
| <b>c.</b>      | reliability                                                          |
| <b>d.</b>      | features                                                             |

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| <b>Answer:</b>     | d        |
| <b>Difficulty:</b> | moderate |
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| <b>MC 2-15</b> | Core activities are considered                 |
| <b>a.</b>      | standard for all businesses within an industry |
| <b>b.</b>      | critical to the operation of the business      |
| <b>c.</b>      | essential functions for the market leader      |
| <b>d.</b>      | outsourced activities                          |

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| <b>Answer:</b>     | b    |
| <b>Difficulty:</b> | easy |
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| <b>MC 2-16</b> | Three key functions for a vertically integrated firm are |
| <b>a.</b>      | supply management, production, and sales                 |
| <b>b.</b>      | resource agreements, manufacturing, and marketing        |
| <b>c.</b>      | capital acquisition, equipment, and plant operations     |
| <b>d.</b>      | raw material supply, manufacturing, and distribution     |

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| <b>Answer:</b>     | d           |
| <b>Difficulty:</b> | challenging |
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| <b>MC 2-17</b> | Three key functions for a firm that competes on the basis of its technology are |
| <b>a.</b>      | supply agreements, employee recruitment, and contracted services                |
| <b>b.</b>      | research and development, joint ventures, and assembly                          |
| <b>c.</b>      | patents, technical publications, and employee recruitment                       |
| <b>d.</b>      | research and development, component supply, and service                         |

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| <b>Answer:</b>     | d           |
| <b>Difficulty:</b> | challenging |
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| <b>MC 2-18</b> | Key activities for firms that compete on the basis of cost would include |
| <b>a.</b>      | supplier relationships and logistics                                     |
| <b>b.</b>      | marketing and after-sales service                                        |
| <b>c.</b>      | research and development and contract manufacturing                      |
| <b>d.</b>      | component supply arrangements and assembly                               |

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| <b>Answer:</b>     | a        |
| <b>Difficulty:</b> | moderate |
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| <b>MC 2-19</b> | Key activities for a firm that competes on the basis of differentiation are |
| <b>a.</b>      | design, sourcing, and marketing                                             |
| <b>b.</b>      | contract manufacturing, distribution, and after-sales service               |
| <b>c.</b>      | financing, operations, and distribution                                     |
| <b>d.</b>      | raw material supply, assembly, and marketing                                |

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| <b>Answer:</b>     | a        |
| <b>Difficulty:</b> | moderate |
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| <b>MC 2-20</b> | Strategy is commonly considered to be a  |
| <b>a.</b>      | product and market position              |
| <b>b.</b>      | set of goals and tactics                 |
| <b>c.</b>      | blueprint for the operations             |
| <b>d.</b>      | business plan and a marketplace position |

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| <b>Answer:</b>     | d        |
| <b>Difficulty:</b> | moderate |
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| <b>MC 2-21</b> | A sound competitive strategy rests on |
| <b>a.</b>      | operational excellence                |
| <b>b.</b>      | financial stability                   |
| <b>c.</b>      | unique capabilities                   |
| <b>d.</b>      | benchmarking                          |

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| <b>Answer:</b>     | c           |
| <b>Difficulty:</b> | challenging |
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| <b>MC 2-22</b> | Corporate strategy can be recognized by the organization's |
| <b>a.</b>      | head office location and corporate management processes    |
| <b>b.</b>      | financial performance and number of shareholders           |
| <b>c.</b>      | product market focus and mission statement                 |
| <b>d.</b>      | business portfolio and corporate resources                 |

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| <b>Answer:</b>     | d    |
| <b>Difficulty:</b> | easy |
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| <b>MC 2-23</b> | A corporate strategy of better than 70% of revenues from a single business unit is |
| <b>a.</b>      | consolidation                                                                      |
| <b>b.</b>      | constrained business                                                               |
| <b>c.</b>      | harvest                                                                            |
| <b>d.</b>      | dominant business unit                                                             |

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| <b>Answer:</b>     | d    |
| <b>Difficulty:</b> | easy |
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| <b>MC 2-24</b> | The central challenge for corporate general management is in |
| <b>a.</b>      | negotiating corporate supply agreements                      |
| <b>b.</b>      | managing diverse operations from a central location          |
| <b>c.</b>      | adding value to the individual business units                |
| <b>d.</b>      | hedging exchange rate risks                                  |

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| <b>Answer:</b>     | c    |
| <b>Difficulty:</b> | easy |
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| <b>MC 2-25</b> | The ultimate test of the utility of corporate strategy is in the |
| <b>a.</b>      | optimism of shareholders                                         |
| <b>b.</b>      | endorsement of the Board of Directors                            |
| <b>c.</b>      | commitment of the employees                                      |
| <b>d.</b>      | performance of the corporation                                   |

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| <b>Answer:</b>     | d    |
| <b>Difficulty:</b> | easy |
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| <b>MC 2-26</b> | Core Activities address which of the following questions?                          |
| <b>a.</b>      | What are the business aims with respect to growth, profitability and risk?         |
| <b>b.</b>      | What are the primary value-adding activities that the business intends to perform? |
| <b>c.</b>      | What are the products and/or services the business plans to sell?                  |
| <b>d.</b>      | How does the business intend to attract customers?                                 |

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| <b>Answer:</b>     | b    |
| <b>Difficulty:</b> | easy |
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| <b>MC 2-27</b> | McCain's approach to build a competitive differentiation and advantage in its worldwide french-fried potato business can be described as |
| <b>a.</b>      | an effective goal structure                                                                                                              |
| <b>b.</b>      | a product market focus                                                                                                                   |
| <b>c.</b>      | a well-defined value proposition                                                                                                         |
| <b>d.</b>      | a distinctive core competency                                                                                                            |

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| <b>Answer:</b>     | b        |
| <b>Difficulty:</b> | moderate |
| <b>Page:</b>       | 26       |

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| <b>MC 2-28</b> | A firm that focuses on convenience and delivery is competing on the basis of |
| <b>a.</b>      | price                                                                        |
| <b>b.</b>      | features                                                                     |
| <b>c.</b>      | customer satisfaction                                                        |
| <b>d.</b>      | execution                                                                    |

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| <b>Answer:</b>     | d    |
| <b>Difficulty:</b> | easy |
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| <b>MC 2-29</b> | If less than 70 percent of revenue comes from any one business unit, a common corporate strategy will be |
| <b>a.</b>      | related constrained                                                                                      |
| <b>b.</b>      | a pure play                                                                                              |
| <b>c.</b>      | related linked                                                                                           |
| <b>d.</b>      | unrelated diversification                                                                                |

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| <b>Answer:</b>     | d           |
| <b>Difficulty:</b> | challenging |
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| <b>MC 2-30</b> | A related constrained corporate strategy occurs                                                                           |
| <b>a.</b>      | where less than 70 percent of revenue comes from a business and there are no common links between the businesses          |
| <b>b.</b>      | where between 70 and 95 percent of revenues comes from a single business unit                                             |
| <b>c.</b>      | where less than 70 percent of revenue comes from any one business unit but the underlying businesses are closely linked   |
| <b>d.</b>      | where less than 70 percent of revenue comes from any one business unit and there are limited links between the businesses |

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| <b>Answer:</b>     | c        |
| <b>Difficulty:</b> | moderate |
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### True/False

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| <b>TF 2-31</b> | Organizational strategy is about winning in the marketplace. |
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| <b>Answer:</b>     | t    |
| <b>Difficulty:</b> | easy |
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| <b>TF 2-32</b> | Every organization has an implied strategy. |
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| <b>Answer:</b>     | t    |
| <b>Difficulty:</b> | easy |
| <b>Page:</b>       | 18   |

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| <b>TF 2-33</b> | 10% annual growth is an example of an organizational goal. |
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| <b>Answer:</b>     | t        |
| <b>Difficulty:</b> | moderate |
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| <b>TF 2-34</b> | The key components of a business strategy are goals, product, market, and financing. |
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| <b>Answer:</b>     | f    |
| <b>Difficulty:</b> | easy |
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| <b>TF 2-35</b> | The 'base case' strategy is the current strategy adjusted for inflation. |
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| <b>Answer:</b>     | f           |
| <b>Difficulty:</b> | challenging |
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| <b>TF 2-36</b> | Strategy can be used to set direction for the organization. |
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| <b>Answer:</b>     | t           |
| <b>Difficulty:</b> | challenging |
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| <b>TF 2-37</b> | Business strategy focuses on how an organization will create value for a portfolio of business lines. |
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| <b>Answer:</b>     | f        |
| <b>Difficulty:</b> | moderate |
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| <b>TF 2-38</b> | For a healthcare organization, patient satisfaction is an example of a 'soft' business goal. |
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| <b>Answer:</b>     | t        |
| <b>Difficulty:</b> | moderate |
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| <b>TF 2-39</b> | Returns to the shareholder are an example of a 'hard' business goal. |
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| <b>Answer:</b>     | t    |
| <b>Difficulty:</b> | easy |



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| <b>TF 2-40</b> | A growth strategy implies a focus on investment without sacrificing current profitability. |
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| <b>Answer:</b>     | f           |
| <b>Difficulty:</b> | challenging |
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| <b>TF 2-41</b> | A penetration strategy suggests there is continuing growth in current markets. |
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| <b>Answer:</b>     | t        |
| <b>Difficulty:</b> | moderate |
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| <b>TF 2-42</b> | An organization's value proposition reflects the benefits it has chosen to offer in the marketplace. |
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| <b>Answer:</b>     | t    |
| <b>Difficulty:</b> | easy |
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| <b>TF 2-43</b> | Convenience is an example of a value proposition. |
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| <b>Answer:</b>     | t    |
| <b>Difficulty:</b> | easy |
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| <b>TF 21-44</b> | Operations that are common to all businesses are known as 'core activities'. |
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| <b>Answer:</b>     | f        |
| <b>Difficulty:</b> | moderate |
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| <b>TF 2-45</b> | Operational effectiveness can generate sustained profitability for an organization. |
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| <b>Answer:</b>     | f        |
| <b>Difficulty:</b> | moderate |
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| <b>TF 2-46</b> | Corporate strategy focuses on creating a competitive advantage across industries. |
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| <b>Answer:</b>     | t        |
| <b>Difficulty:</b> | moderate |
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| <b>TF 2-47</b> | Business strategy focuses on creating a competitive advantage within an industry. |
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| <b>Answer:</b>     | t    |
| <b>Difficulty:</b> | easy |
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| <b>TF 2-48</b> | Functional strategy focuses on executing the business strategy. |
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| <b>Answer:</b>     | t    |
| <b>Difficulty:</b> | easy |
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| <b>TF 2-49</b> | The corporate office typically sets strategic guidelines for the business units. |
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| <b>Answer:</b>     | t        |
| <b>Difficulty:</b> | moderate |
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| <b>TF 2-50</b> | The corporate management typically determines the industries in which the organization will compete. |
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| <b>Answer:</b>     | t        |
| <b>Difficulty:</b> | moderate |
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| <b>TF 2-51</b> | The more unrelated the business units, the greater the role for the corporate office. |
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| <b>Answer:</b>     | f    |
| <b>Difficulty:</b> | easy |
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| <b>TF 2-52</b> | The contribution of the corporate office to the success of the business units is expected to exceed the cost of the office. |
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| <b>Difficulty:</b> | moderate |
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| <b>TF 2-53</b> | Sharing corporate resources is an example of corporate cost synergy. |
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| <b>Answer:</b>     | t    |
| <b>Difficulty:</b> | easy |
| <b>Page:</b>       | 40   |

|                |                                                                                   |
|----------------|-----------------------------------------------------------------------------------|
| <b>TF 2-54</b> | A conglomerate is an organization where the business units are highly integrated. |
|----------------|-----------------------------------------------------------------------------------|

|                    |             |
|--------------------|-------------|
| <b>Answer:</b>     | f           |
| <b>Difficulty:</b> | challenging |
| <b>Page:</b>       | 40          |

|                |                                                                                                               |
|----------------|---------------------------------------------------------------------------------------------------------------|
| <b>TF 2-55</b> | In a highly diversified organization, there are numerous opportunities for the corporate office to add value. |
|----------------|---------------------------------------------------------------------------------------------------------------|

|                    |             |
|--------------------|-------------|
| <b>Answer:</b>     | f           |
| <b>Difficulty:</b> | challenging |
| <b>Page:</b>       | 41          |