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Chapter 1 - Strategic Management

1. In order to achieve success implementing change, what two concepts do HR managers need to match together?

- a. motivation and hiring practices
- b. position modules and salary theories
- c. principles and salary theories
- d. HRM practices and organizational goals

ANSWER: d

2. What type of strategy is an agreed-upon plan that is arrived at through formal planning processes?

- a. discarded
- b. emergent
- c. realized
- d. intended

ANSWER: d

3. Managers in a department store have decided that the shoe department is not a profitable part of the store and that it would be better suited to being an independent organization that rented space from the store. What type of strategy is demonstrated if the shoe department is separated from the department store into a separate entity?

- a. merger
- b. divestiture
- c. bankruptcy
- d. growth

ANSWER: b

4. What type of corporate objective is represented by the ratio “return on investment?”

- a. soft
- b. short-term
- c. long-term
- d. hard

ANSWER: d

5. What are the two primary types of inputs that influence an organization’s competitive advantage?

- a. profitability and human capital
- b. reputation and superior performance
- c. culture and distinct advantage
- d. capabilities and tangible assets

ANSWER: d

6. What type of competency is represented by resources and capabilities that serve as a firm’s competitive advantage?

- a. core
- b. central
- c. cultural
- d. collective

ANSWER: a

7. Which of the following represents either a growth or a stability strategy?

- a. merger
- b. turnaround
- c. bankruptcy
- d. liquidation

ANSWER: a

8. If employees understand the behaviours and performance levels that will be rewarded on the job, what type of benefit is produced that will help managers formulate a strategy?

- a. clarity
- b. incentives
- c. change
- d. efficiency

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ANSWER: b

9. What is a tangible corporate goal that represents a point of view about the competitive positions a company hopes to build over a decade?

- a. strategic plan
- b. strategic intent
- c. strategic implementation
- d. strategic formulation

ANSWER: b

10. If a formulated plan is called an intended strategy, what strategy depicts the implemented plan?

- a. intentional
- b. ideal
- c. realized
- d. predicted

ANSWER: c

11. If an organization fails to engage in strategic planning, it will be burdened by many challenges. Which of the following is NOT one of these challenges?

- a. failure to involve senior managers and executives so that there is no buy-in
- b. failure to use the plan as the guide to make decisions and evaluate performance
- c. failure to align incentives and other HR policies to the achievement of strategy
- d. failure to incorporate information generated from 360-degree reviews

ANSWER: d

12. Which strategy is synonymous with logical incrementalism?

- a. intended
- b. emergent
- c. discarded
- d. realized

ANSWER: b

13. What strategic concept demonstrates those activities that employees and managers of an organization undertake to enact the strategic plan and achieve the performance goals?

- a. strategy implementation
- b. strategy formulation
- c. strategic planning
- d. strategic intent

ANSWER: a

14. Which of the following represents a restructuring strategy?

- a. merger
- b. liquidation
- c. incremental
- d. joint venture

ANSWER: b

15. McDonald's incorporated many unique strategies to turn the restaurant around. Which of the following is part of a different restaurant's corporate strategy?

- a. focusing on healthy food choices
- b. allowing free refills for all beverages
- c. introducing new foods that reflected regional food interests
- d. opening stores in non-traditional locations

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ANSWER: c

16. If a firm is applying a growth strategy, it will typically be focused on certain HR practices. Which of the following activities represent strategies that are NOT a growth strategy?

- a. reduced training b. aggressive recruitment
- c. rapidly rising wages d. increased job creation

ANSWER: a

17. How is the successful implementation of strategy judged?

- a. by whether it satisfies top management's expectations
- b. by whether it realizes organizational goals and objectives
- c. by whether it engages employees to do their best
- d. by whether it meets financial targets and ratios

ANSWER: d

18. Salad-O is a fast food outlet located in a shopping mall that tries to compete with Greens-Away by offering gourmet salad dressings. Which of Porter's competitive strategies is Salad-O applying?

- a. low-cost provider b. broad differentiation
- c. market niche with lower cost d. market niche with differentiation

ANSWER: b

19. "Our company is committed to honesty and improving society." What type of statement does this quote describe?

- a. attitude b. policy
- c. strategic d. value

ANSWER: d

20. Some organizations drift aimlessly during times of economic turmoil. What might be a concrete reason for an organization to be so unfocused?

- a. The organization did not produce a vision statement to unite its employees.
- b. The organization did not complete its long-term plan for the next three to five years.
- c. The organization did not conduct a succession plan for its older managers.
- d. The organization did not build a culture that supported work-life balance.

ANSWER: a

21. What is the process called that formulates organizational goals, objectives, action plans, and the mission statement?

- a. formulation b. analysis
- c. strategy d. planning

ANSWER: c

22. According to your textbook, what are the three types of corporate strategies?

- a. liquidation, bankruptcy, and growth b. mergers, acquisitions, and joint ventures

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- c. growth, restructuring, and stability d. turnaround, bankruptcy, and divestiture

ANSWER: c

23. In order for senior managers to determine who the company's customers are, where they are located, and what product or service characteristics the customers value, the managers must develop a statement of the fundamental benefits of the products or services being offered in the marketplace. What is this statement known as?

- a. value proposition b. vision statement
c. value statement d. vision proposition

ANSWER: a

24. Southwest Airlines has used multiple strategies since its inception in 1974. Why has its current focus on organizational culture been such an effective strategy for the airline?

- a. Southwest's culture is variable and substitutable like the strategies it applies.
b. Southwest's culture is inspirational so that its employees achieve greater work-life balance.
c. Southwest's culture is unique, and strategic mimicry by other airlines is not possible.
d. Southwest's culture is responsible for its low-cost, low-price, no-frills flights strategy.

ANSWER: c

25. Which concept refers to a list that produces the sequential steps required to get the job done?

- a. principles b. procedures
c. program d. policies

ANSWER: b

26. Which of the following is typical of an organization that follows Porter's best-cost provider strategy?

- a. a hamburger served by a waiter on a plate with potato salad
b. a hamburger and fries in a paper bag served by the drive-through operator
c. a hamburger and baked potato placed on a tray and served by the takeout counter clerk
d. a hamburger and baby greens salad in a plastic bubble package bought at the grocery store

ANSWER: a

27. An organization is influenced by a variety of elements from the external environment. On the other hand, which of the following appears to be derived from the internal environment of the organization?

- a. technology b. sociocultural factors
c. HR diversity management policy d. changing demographics

ANSWER: c

28. Rand Solar Technologies Ltd. is planning its future. In the process, the senior leadership team is preparing the organization's objectives, competitive scopes, and action plans to achieve its goals. What is the leadership team doing?

- a. conducting a SWOT analysis
b. identifying the organization's competitive advantage
c. formulating the organization's strategy

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d. applying principles of strategic management

ANSWER: c

29. What type of strategy changes incrementally due to environmental changes?

- a. intended b. discarded
- c. realized d. emergent

ANSWER: d

30. The President and CEO of Walmart outlined the company's overall strategy and all its business interests. The focus of the strategy was on long-term growth and survival. What type of strategy is Walmart adopting?

- a. corporate b. business
- c. international d. expansion

ANSWER: a

31. The senior leadership team at Walmart outlined the company's corporate strategy, which included plans for increasing its products and services. What type of strategy is Walmart adopting?

- a. restructuring b. divestiture
- c. business d. growth

ANSWER: d

32. The owner of Whites Barbecues outlined the company's strategy. The focus of the strategy was concerned with how to build the company's competitive position. What type of strategy is Whites Barbecues adopting?

- a. corporate b. business
- c. international d. expansion

ANSWER: b

33. On the Quality Greens Farm Market website are the words "to make healthy, locally grown farm food products accessible to lower-income residents." What is this an example of?

- a. mission b. vision
- c. values d. objectives

ANSWER: c

34. What type of objective would include being ethical and environmentally responsible?

- a. long-term b. short-term
- c. soft d. hard

ANSWER: c

35. Which of the following best describes the core values of a company?

- a. the organization's long-term plan
- b. the basic direction of the organization
- c. the basic beliefs that govern workers' behaviour in an organization
- d. the reason an organization exists

ANSWER: c

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36. Cupcasons is a small bakery that crafts and sells gourmet cupcakes and special-occasion cakes. To achieve its business objectives, the managers scan their external environment for threats and opportunities so they can make proactive changes to their strategic plan. What external factors would they scan for?

- a. tangible assets
- b. business processes
- c. changing demographics
- d. market leadership

ANSWER: c

37. What is the entire process of conceptualizing the mission of an organization, identifying the strategy, and developing long-range performance goals?

- a. strategic plan
- b. strategic intent
- c. strategic implementation
- d. strategic formulation

ANSWER: d

38. Pacific Kayaks Ltd. provides ocean kayaks with distinctive qualities valued by customers. The company attracts customers because it sets itself apart from the competition. It is successful because it has access to leading scientific research on polyethylene, a very abrasion-resistant material used in the construction of its kayaks. The company also has a strong sales and marketing team and a corporate reputation for quality and innovation. What competitive strategy is Pacific Kayaks Ltd. using?

- a. low-cost provider
- b. differentiation
- c. market niche with lower cost
- d. focus strategy

ANSWER: b

39. RightWay Fencing Ltd. monitors the technological and economic trends in its external environment as well as its internal assets and resource capabilities. What is it most likely performing?

- a. a competitive environment scan
- b. an environment scan
- c. a strategic plan
- d. a SWOT analysis

ANSWER: d

40. SunCore Consulting monitors demographic and labour market trends. It is most likely performing which of the following?

- a. a human resource scan
- b. an environment scan
- c. a strategic analysis
- d. a labour market analysis

ANSWER: b

41. The senior leadership team at Price Warehouse have decided on the competitive position Price Warehouse wants to achieve. Price Warehouse is well positioned to compete for the largest number of customers through the lowest prices. What type of strategy is Price Warehouse adopting?

- a. broad differentiation strategy
- b. low-cost provider strategy
- c. focused strategy based on lower cost
- d. focused strategy based on differentiation

ANSWER: b

42. McNiven Construction Ltd. is influenced by a variety of elements from the internal environment. On the other hand, which of the following appears to be derived from the external environment of the company?

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- a. safety regulations b. employment policies
- c. safety practices d. competencies of employees

ANSWER: a

43. What is it called when an organization develops objectives, plans, and courses of action concerning how it will operate to gain competitive advantage?

- a. goal setting b. competitive scope
- c. strategy d. organizational planning

ANSWER: c

44. Due of the unpredictability of future events, many strategic planners formulate their plans so they can respond to changes in the environment. How would you describe this strategic planning process?

- a. a cyclical process b. a reactive process
- c. a dynamic process d. a perceived process

ANSWER: c

45. What type of strategies focus on the overall strategy of the organization and all of its businesses?

- a. corporate strategies b. intended strategies
- c. management strategies d. business strategies

ANSWER: a

46. What type of strategy focuses on the action plans and competitive scopes for a single line of business?

- a. leadership strategy b. business strategy
- c. emergent strategy d. corporate strategy

ANSWER: b

47. As McDonald's sales and profits declined, the company decided to focus on a core item: coffee. What restructuring strategy was being adopted?

- a. divestiture b. liquidation
- c. stability d. turnaround

ANSWER: d

48. What type of strategies are concerned with the question, What business should we be in?

- a. intended strategies b. management strategies
- c. corporate strategies d. business strategies

ANSWER: c

49. What type of strategies are concerned with the question, How should we compete?

- a. competitive strategies b. emergent strategies
- c. corporate strategies d. business strategies

ANSWER: d

50. WestJet tries to demonstrate to the public that its customer service is better than other Canadian airlines because WestJet has have low prices and more caring and innovative services. How would you define this strategy?

- a. corporate strategy b. business strategy

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- c. divestiture strategy d. management strategy

ANSWER: b

51. Shoreline Docks, a small West Coast dock construction company, is influenced by a variety of elements from their its environment. Which of the following appears to be derived from the company's internal environment?

- a. legislation b. economy
c. safety practices d. technology

ANSWER: c

52. What type of corporate objective usually defines the targets for the social conduct of business?

- a. hard b. focused
c. social d. soft

ANSWER: c

53. What are the broad guidelines to action, which establish the parameters and rules in an organization?

- a. plans b. policies
c. objectives d. procedures

ANSWER: b

54. Refer to Scenario: Tentree Apparel. Tentree Apparel is achieving success implementing change. What two concepts did the owners need to align to implement this change?

- a. motivation and hiring practices b. position modules and salary theories
c. principles and salary theories d. HRM practices and organizational goals

ANSWER: d

55. Refer to Scenario: Tentree Apparel. Tentree Apparel states that it wants to "become the most environmentally progressive company on the planet." What type of statement does this quote describe?

- a. strategic plan b. intended policy
c. strategic intent d. value statement

ANSWER: c

56. Refer to Scenario: Tentree Apparel. Tentree Apparel aims "to plant 1 billion trees by 2013." What type of statement does this quote describe?

- a. goal b. policy
c. strategic plan d. value statement

ANSWER: a

57. Refer to Scenario: Tentree Apparel. Tentree Apparel has formulated its organizational goals, objectives, action plans, and the mission statement. What is this the process called?

- a. organizational planning b. strategy
c. strategic analysis d. emergent strategy

ANSWER: b

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58. If no two organizations are the same, then logically all organizational strategies are unique.

- a. True
- b. False

ANSWER: True

59. A company can have one corporate strategy but many business strategies.

- a. True
- b. False

ANSWER: True

60. When a company can no longer pay its creditors, the company may file for bankruptcy.

- a. True
- b. False

ANSWER: True

61. A vision statement would answer the questions “Who are we?” and “Why are we here?”

- a. True
- b. False

ANSWER: False

62. To be successful, a company must adopt only one corporate strategy.

- a. True
- b. False

ANSWER: False

63. The decision to merge with another company is an example of a growth strategy.

- a. True
- b. False

ANSWER: True

64. If an organization decides that the company is an ideal size and decides to maintain it, then the organization is adopting a growth strategy.

- a. True
- b. False

ANSWER: True

65. Strategic intent is an intangible corporate goal.

- a. True
- b. False

ANSWER: False

66. Porter’s model of business strategy has been criticized for having categories that overlap.

- a. True
- b. False

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ANSWER: True

67. There are three competitive positions used in most strategy textbooks: cost, differentiation, and flexibility.

- a. True
- b. False

ANSWER: False

68. The question, “Should we be in business?” is an example of a business strategy.

- a. True
- b. False

ANSWER: False

69. The strategic planning process is dynamic and evolves as environmental conditions change.

- a. True
- b. False

ANSWER: True

70. Examples of corporate strategy include decisions to compete internationally or to merge with other companies.

- a. True
- b. False

ANSWER: True

71. A discarded strategy is one that was found to be inappropriate because of changing circumstances.

- a. True
- b. False

ANSWER: True

72. In general, a restructuring strategy is one that deals with companies that are operating at a surplus and are typically described as “money-making.”

- a. True
- b. False

ANSWER: False

73. Values guide the behaviour of individuals within an organization.

- a. True
- b. False

ANSWER: True

74. Hard objectives deal with social issues such as the ethics and values of an organization.

- a. True
- b. False

ANSWER: False

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75. A “harvest” strategy can also be conceptualized as a “retrenchment” strategy because the goal is to restructure and not grow.

- a. True
- b. False

ANSWER: True

76. Emergent strategy is the plan that changes incrementally due to environmental changes.

- a. True
- b. False

ANSWER: True

77. An acquisition is seen as two organizations joining to gain economies of scale, whereas a merger occurs when one company acquires another.

- a. True
- b. False

ANSWER: False

78. Dynamic capabilities are the abilities of an organization to adapt and renew its competencies in accordance with a changing business environment.

- a. True
- b. False

ANSWER: True

79. Competitive advantage of an organization includes the characteristics that enable it to earn higher rates of interest on its investments than its competitors.

- a. True
- b. False

ANSWER: False

80. *Opportunities* and *threats* are environmental conditions external to the firm that have limited benefit and are harmful to the organization.

- a. True
- b. False

ANSWER: False

81. “Core competencies” refers to the integrated knowledge sets within an organization that distinguish it from its competitors and deliver value to customers.

- a. True
- b. False

ANSWER: True

82. SWOT analysis refers to the systematic and regular monitoring of environmental factors influencing the organization.

- a. True

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b. False

ANSWER: True

83. Establishing the mission, vision, and values is the first step in strategic planning.

a. True

b. False

ANSWER: True

84. Examples of tangible assets are human capital, reputation, goodwill, trust, and copyright.

a. True

b. False

ANSWER: True

85. Business strategies are concerned with the long-term view of the organization.

a. True

b. False

ANSWER: False

86. A strategy is a planned process whereby organizations can map out a set of objectives and methods of meeting those objectives.

a. True

b. False

ANSWER: True

87. Corporate strategies focus on one line of business: building a strong competitive position.

a. True

b. False

ANSWER: False

88. What is a corporate strategy? Identify the three major corporate or organization-wide strategies outlined by the authors in your textbook and discussed in class and provide examples of each.

ANSWER: *Corporate Strategies* are focused on overall strategy for the company and its businesses or interests. These strategies are usually focused on long-term growth and survival goals.

There are three corporate strategy options:

- Restructuring (turnaround, divestiture, liquidation, bankruptcy)
- *Growth (incremental growth, international growth, mergers and acquisitions)*
- Stability (maintain the status quo)

89. Compare and contrast corporate and business strategy. What is the difference between the two?

ANSWER: Business strategy focuses on one line of business as opposed to the overall corporation. Business strategy involves building a strong competitive position as opposed to determining if this is the business to be in. Business strategy is an action plan for managing one line of business. Corporate strategy asks, "Should we be in business? What business should we be in?" Business strategy asks, "How should we compete? Should we compete by offering products at prices lower than those of the competition or by offering the best service?"

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90. *List the steps (from initial planning to end stages) in strategic planning.*

ANSWER: · Establish the mission, vision, and values
· Develop objectives
· Analyze the external environment
· Identify the competitive advantage
· Determine the competitive position
· Implement the strategy
· Evaluate the performance

91. *What are some of the benefits of strategy formulation to organizations? Identify and briefly describe five benefits.*

ANSWER: · Clarity – to help focus and guide decision-making about resource allocations
· Coordination – everyone working together towards the same goals
· Efficiency – daily decision-making guided toward the question “does it fit our strategy?”
· Incentives – employees understanding the behaviours and performance that will be rewarded
· Change – if major change is under consideration, then understanding current strategy is essential
· Career development – clear outline of organization’s strategy can help you decide if you want to work for the company, if there is a skills fit, and what training and development you will need in order to facilitate the achievement of strategy
· Understanding of the strategic planning process is the essential first step to creating an HR strategy that makes sense for the organization

92. *Compare and contrast the HRM practices of a company using a low-cost provider strategy with one using a differentiation strategy.*

ANSWER: Low-cost providers provide a product or service at a price lower than that of its competitors while appealing to a broad range of customers. A major emphasis with this type of strategy is to reduce cost; therefore, contingent workers are recruited and paid minimal hourly wages. There is a high turnover of staff and minimal on-the-job training. There are minimal opportunities for career growth and advancement. Businesses using a differentiation strategy seek to differentiate their products in ways that will appeal to a broad range of buyers. More staff training may be required in businesses employing this type of strategy. There is more emphasis on product knowledge and customer service. There may be more opportunities for advancement in this type of business.

93. Cupcasons is a small bakery that crafts and sells gourmet cupcakes and cakes. Besides scanning and monitoring its external environment, the managers also consider what competitive advantage the organization possesses—that is, what characteristics enable them to generate more value for customers at a lower cost, thereby earning higher rates of profit than its competitors. List the three categories of resources and describe one example of a resource that Cupcasons would have that would allow them to perform more effectively or efficiently than its competitors.

ANSWER: *Tangible assets:* These are future economic resources that have substance and form from which an organization will benefit. Examples are land, inventory, building, location, cash, and technology.

Intangible assets: These are future economic resources that have been generated from past organizational events. These assets lack substance and form. Examples are human capital, reputation, goodwill, trust, and copyright.

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Capabilities: These are a complex combination of people and processes that represent the firm's capacity to exploit resources to achieve the firm's objectives. Examples are managerial capabilities, innovative capabilities, marketing capabilities, and organizational cultures.

94. According to the resource-based view, an organization's sustained competitive advantage must meet four criteria. List these four criteria.

ANSWER: · They are *valuable* to the firm's strategy (they help generate value/reduce cost).
· They are *rare* (competitors don't have them).
· They are *inimitable* (they cannot easily be copied by competitors).
· They can be organized by the firm (the firm can exploit the resources)

95. With the information from external environment and internal competence analysis, managers can summarize the conclusions using a SWOT analysis. What is a SWOT analysis?

ANSWER: A SWOT analysis is a tool for analyzing a company's resource capabilities and deficiencies, its market opportunities, and the external threats to its future. SWOT is an acronym for Strengths, Weaknesses, Opportunities, and Threats. A *strength* is something that a company does well or an attribute that makes it more competitive. A *weakness* is something that an organization does poorly, or a condition, such as location, that puts it at a disadvantage relative to competitors. *Opportunities* and *threats* are environmental conditions external to the firm that may be beneficial or harmful.

96. Describe one step in the strategic planning process. Identify an organization you are familiar with (such as from your work experience or from the course textbook). Provide an example of how your chosen organization performs the one strategic planning step.

ANSWER: · Establish the mission, vision, and values
· Develop objectives
· Analyze the external environment
· Identify the competitive advantage
· Determine the competitive position
· Implement the strategy
· Evaluate the performance

One Step: Analyze the external environment. To achieve the company's objectives, managers must be aware of threats and opportunities in the external environment. By scanning and monitoring technology, laws and regulations, the economy, sociocultural factors, and changing demographics, managers can make reactive and proactive changes to the strategic plan.

97. Concepts of strategy are numerous. Describe two.

ANSWER: *Strategy:* A declaration of intent

Strategic intent: A tangible corporate goal; a point of view about the competitive positions a company hopes to build over a decade

Strategic planning: The systematic determination of goals and the plans to achieve them

Strategy formulation: The entire process of conceptualizing the mission of an organization, identifying the strategy, and developing long-range performance goals

Strategy implementation: Those activities that employees and managers of an organization undertake to enact the strategic plan and achieve the performance goals

Objectives: The end, the goals

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Plans: The product of strategy, the means to the end

Strategic plan: A written statement that outlines the future goals of an organization, including long-term performance goals

Policies: Broad guidelines to action that establish the parameters or rules

98. Are employees always an organization's most valuable resource? Why or why not? What criteria is required for *organizations to achieve competitive advantage through their human resources*?

ANSWER: In order to determine whether an organization's resources will contribute to competitive advantage, four criteria must be satisfied. The resources must be:

a. valuable

b. difficult to imitate

c. rare

d. hard to substitute

99. **Refer to Scenario:** Tentree Apparel. Tentree Apparel is an example of an organization that is making strategic decisions in its attempts to become profitable. Describe two concepts of strategy that Tentree Apparel is using.

ANSWER: A few concepts include:

Strategy: A declaration of intent

Strategic intent: A tangible corporate goal; a point of view about the competitive positions a company hopes to build over a decade

Strategic planning: The systematic determination of goals and the plans to achieve them

Strategy formulation: The entire process of conceptualizing the mission of an organization, identifying the strategy, and developing long-range performance goals

Strategy implementation: Those activities that employees and managers of an organization undertake to enact the strategic plan and achieve the performance goals

Objectives: The end, the goals

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Strategic plan: A written statement that outlines the future goals of an organization, including long-term performance goals

Policies: Broad guidelines to action, which establish the parameters or rules