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Chapter Two: Strategy

Multiple Choice

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

Answer:	d
Difficulty:	moderate
Page:	18

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

Answer:	b
Difficulty:	easy
Page:	18

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

Answer:	b
Difficulty:	easy
Page:	18

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

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

Answer:	c
Difficulty:	moderate
Page:	20

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

Answer:	c
Difficulty:	moderate
Page:	22-23

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

Answer:	a
Difficulty:	moderate
Page:	23

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

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

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Answer:	d
Difficulty:	moderate
Page:	24

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

Answer:	b
Difficulty:	easy
Page:	26

MC 2-11	An organization that provides exclusive products is competing on the basis of
a.	differentiation
b.	cost
c.	goodwill
d.	competitive difference

Answer:	a
Difficulty:	moderate
Page:	27

MC 2-12	A firm that provides convenience and friendly service is pursuing a value proposition based on
a.	service
b.	execution
c.	price
d.	features

Answer:	b
Difficulty:	moderate
Page:	28

MC 2-13	A firm that discounts and offers rebates is pursing a value proposition based on
a.	features
b.	execution
c.	price
d.	reliability

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

Answer:	d
Difficulty:	moderate
Page:	28

MC 2-15	Core activities are considered
a.	standard for all businesses within an industry
b.	critical to the operation of the business
c.	essential functions for the market leader
d.	outsourced activities

Answer:	b
Difficulty:	easy
Page:	30

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

Answer:	d
Difficulty:	challenging
Page:	31

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

Answer:	d
Difficulty:	challenging
Page:	31

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

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Answer:	a
Difficulty:	moderate
Page:	32

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

Answer:	a
Difficulty:	moderate
Page:	33

MC 2-20	Strategy is commonly considered to be a
a.	product and market position
b.	set of goals and tactics
c.	blueprint for the operations
d.	business plan and a marketplace position

Answer:	d
Difficulty:	moderate
Page:	35

MC 2-21	A sound competitive strategy rests on
a.	operational excellence
b.	financial stability
c.	unique capabilities
d.	benchmarking

Answer:	c
Difficulty:	challenging
Page:	38

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

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

Answer:	d
Difficulty:	easy
Page:	40

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

Answer:	c
Difficulty:	easy
Page:	41

MC 2-25	The ultimate test of the utility of corporate strategy is in the
a.	optimism of shareholders
b.	endorsement of the Board of Directors
c.	commitment of the employees
d.	performance of the corporation

Answer:	d
Difficulty:	easy
Page:	41

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

Answer:	b
Difficulty:	easy
Page:	18

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

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Answer:	b
Difficulty:	moderate
Page:	26

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

Answer:	d
Difficulty:	easy
Page:	28

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

Answer:	d
Difficulty:	challenging
Page:	42

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

Answer:	c
Difficulty:	moderate
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True/False

TF 2-31	Organizational strategy is about winning in the marketplace.

Answer:	t
Difficulty:	easy
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TF 2-32	Every organization has an implied strategy.

Answer:	t
Difficulty:	easy
Page:	18

TF 2-33	10% annual growth is an example of an organizational goal.

Answer:	t
Difficulty:	moderate
Page:	18

TF 2-34	The key components of a business strategy are goals, product, market, and financing.

Answer:	f
Difficulty:	easy
Page:	18

TF 2-35	The 'base case' strategy is the current strategy adjusted for inflation.

Answer:	f
Difficulty:	challenging
Page:	19

TF 2-36	Strategy can be used to set direction for the organization.

Answer:	t
Difficulty:	challenging
Page:	19

TF 2-37	Business strategy focuses on how an organization will create value for a portfolio of business lines.

Answer:	f
Difficulty:	moderate
Page:	20

TF 2-38	For a healthcare organization, patient satisfaction is an example of a 'soft' business goal.

Answer:	t
Difficulty:	moderate
Page:	21

TF 2-39	Returns to the shareholder are an example of a 'hard' business goal.

Answer:	t
Difficulty:	easy

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TF 2-40	A growth strategy implies a focus on investment without sacrificing current profitability.

Answer:	f
Difficulty:	challenging
Page:	22

TF 2-41	A penetration strategy suggests there is continuing growth in current markets.

Answer:	t
Difficulty:	moderate
Page:	23

TF 2-42	An organization's value proposition reflects the benefits it has chosen to offer in the marketplace.

Answer:	t
Difficulty:	easy
Page:	26

TF 2-43	Convenience is an example of a value proposition.

Answer:	t
Difficulty:	easy
Page:	28

TF 21-44	Operations that are common to all businesses are known as 'core activities'.

Answer:	f
Difficulty:	moderate
Page:	29

TF 2-45	Operational effectiveness can generate sustained profitability for an organization.

Answer:	f
Difficulty:	moderate
Page:	37

TF 2-46	Corporate strategy focuses on creating a competitive advantage across industries.

Answer:	t
Difficulty:	moderate
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TF 2-47	Business strategy focuses on creating a competitive advantage within an industry.

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Answer:	t
Difficulty:	easy
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TF 2-48	Functional strategy focuses on executing the business strategy.

Answer:	t
Difficulty:	easy
Page:	39

TF 2-49	The corporate office typically sets strategic guidelines for the business units.

Answer:	t
Difficulty:	moderate
Page:	39

TF 2-50	The corporate management typically determines the industries in which the organization will compete.

Answer:	t
Difficulty:	moderate
Page:	39

TF 2-51	The more unrelated the business units, the greater the role for the corporate office.

Answer:	f
Difficulty:	easy
Page:	39

TF 2-52	The contribution of the corporate office to the success of the business units is expected to exceed the cost of the office.

Answer:	t
Difficulty:	moderate
Page:	40

TF 2-53	Sharing corporate resources is an example of corporate cost synergy.

Answer:	t
Difficulty:	easy
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TF 2-54	A conglomerate is an organization where the business units are highly integrated.

Answer:	f
Difficulty:	challenging
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TF 2-55	In a highly diversified organization, there are numerous opportunities for the corporate office to add value.

Answer:	f
Difficulty:	challenging
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