

Chapter (9) Managing Strategy:

✓ True Or False:

1) A business model describes how a company is going to make money.

Answer: TRUE

2) The first step in the strategic management process is analyzing the external environment.

Answer: FALSE

3) Evaluating an organization's intangible assets is part of conducting an internal analysis in the strategic management process.

Answer: TRUE

4) Activities that an organization does well or resources that it has available are called capabilities.

Answer: FALSE

5) Exceptional or unique organizational resources are known as core capabilities.

Answer: FALSE

6) When conducting a SWOT analysis, threats are activities the organization doesn't do well or resources it needs but doesn't possess.

Answer: FALSE

7) A SWOT analysis includes an analysis of an organization's environmental opportunities and threats.

Answer: TRUE

8) The final step in the strategic management process is implementing the objectives.

Answer: FALSE

9) Corporate strategies determine what business a company is in or wants to be in, and what it wants to do with those businesses.

Answer: TRUE

10) Diversification is an example of a corporate retrenchment strategy.

Answer: FALSE

11) If Burger King were to buy out Mom and Pop's Burgers, Burger King would be growing by vertical integration.

Answer: FALSE

12) A trucking company that grows by purchasing a chain of gasoline stations is engaged in horizontal integration.

Answer: FALSE

13) A stability strategy is an organizational strategy in which an organization maintains the status quo.

Answer: TRUE

14) A retrenchment strategy is a short-run renewal strategy that helps an organization stabilize operations, revitalize organizational resources and capabilities, and prepare to compete once again.

Answer: TRUE

15) A turnaround strategy is a type of renewal strategy used when an organization is in serious trouble.

Answer: TRUE

- 16) The BCG matrix evaluates an organization's various businesses to identify which ones offer high potential and which ones drain organizational resources.

Answer: TRUE

- 17) Stars, one of the four business groups in the BCG matrix, are characterized by low growth and low market share.

Answer: FALSE

- 18) Within an organization, the single independent businesses that formulate their own competitive strategies are known as strategic business units.

Answer: TRUE

- 19) A company that competes by offering unique products that are widely valued by customers is following a differentiation strategy.

Answer: TRUE

- 20) Managers using the strategic management process always achieve positive outcomes.

Answer: FALSE

❖ **Choose The Correct Answer:**

- 1) A _____ describes the rationale of how a company is going to make money.
- A. functional strategy
 - B. business model
 - C. SWOT analysis
 - D. core competency

Answer: B

2) The first four steps of the strategic management process describe the strategic _____ that must take place in an organization.

- A. evaluation
- B. controlling
- C. planning
- D. implementation

Answer: C

3) Defining the organizational mission forces managers to identify _____.

- A. what the labor supply is like in the locations where the organization operates
- B. what the organization is in business to do
- C. what the competitor is doing
- D. what pending legislation will affect the organization

Answer: B

4) Managers do an external analysis so that they know about _____.

- A. the firm's basic beliefs and ethical priorities
- B. what the competition is doing
- C. resources the firm does not possess
- D. their organization's core competencies

Answer: B

5) When an organization is analyzing its labor supply, it is studying its _____.

- A. organizational culture
- B. internal environment
- C. external environment
- D. organizational mission

Answer: C

6) _____ are positive trends in the external environment.

- A. Strengths
- B. Threats
- C. Weaknesses
- D. Opportunities

Answer: D

7) Computer peripherals provider Ascent plans to enter a new market in another country. Which of the following represents a threat for Ascent?

- A. Ascent's profit margin in the previous year was its lowest on record and it will require long-term planning to improve margins.
- B. Ascent lacks the resources to enter the market on its own and has to find a partner in the new market.
- C. Ascent will have to plan its entry carefully as the laws in the country do not favor foreign businesses.
- D. Ascent needs to improve its service capabilities in the new country as this is an important source of revenue.

Answer: C

8) A study of the external environment allows a manager to understand the _____ and _____ for the organization.

- A. threats; weaknesses
- B. strengths; weaknesses
- C. strengths; opportunities
- D. opportunities; threats

Answer: D

9) Helen, the owner of Crazy Cupcakes, is conducting a SWOT analysis of her company to find out where she can improve her business and to identify possibilities for expansion. Which of the following represents an opportunity for expansion?

- A. There has been a trend toward personalized cupcakes for a variety of occasions.

- B. The production process was found to be highly efficient and wastage was kept to a minimum.
- C. In a taste test, Crazy Cupcakes products ranked higher than competitors in the taste and texture segments.
- D. Crazy Cupcakes decorators are among the best in their field and design plays a major role in the popularity of the products.

Answer: A

10) The third step in strategic management process is related to the analysis of the _____.

- A. external environment
- B. internal environment
- C. threats and opportunities
- D. competitive strategy

Answer: B

11) Bella Vista Clothing targets teenage girls with a range of affordable ready-to-wear clothing. The company is opening two new outlets, as sales have been excellent. Which of the following represents strength for the company?

- A. The company's in-house designers have a knack for identifying and popularizing fashion trends.
- B. Disposable income is rising and consumers will have more money to spend on clothes.
- C. Overseas customers have shown an interest in buying Bella Vista clothes through the company's online store.
- D. A long-time competitor recently went out of business and Bella Vista can cut down on its advertising budget.

Answer: A

12) If a bank estimates the capabilities of its employees who provide customer service prior to implementing a new training program designed to change their method of providing customer service, it is _____.

- A. conducting an external analysis
- B. formulating its competitive strategies
- C. doing an internal analysis
- D. formulating its corporate strategies

Answer: C

13) An organization's financial, physical, human, and intangible assets are known as its _____.

- A. resources
- B. capabilities
- C. opportunities
- D. core competencies

Answer: A

14) The major value-creating capabilities of the organization are known as its _____.

- A. strengths
- B. opportunities
- C. core competencies
- D. resources

Answer: C

15) The combined external and internal analyses are called _____.

- A. competitor analysis
- B. industry analysis
- C. market analysis
- D. SWOT analysis

Answer: D

16) The final step in the strategic management process allows an organization to understand the _____.

- A. effectiveness of the strategies used
- B. implementation of the strategies
- C. formulation of the strategies
- D. resources and capabilities it possesses

Answer: A

17) Top-level managers are responsible for _____ strategies.

- A. differentiation
- B. corporate
- C. competitive
- D. functional

Answer: B

18) Lower-level managers are responsible for _____ strategies.

- A. functional
- B. stability
- C. corporate
- D. growth

Answer: A

19) A _____ strategy determines what businesses a company is in or wants to be in, and what it wants to do with those businesses.

- A. competitive
- B. functional
- C. focus
- D. corporate

Answer: D

20) What are the three main types of corporate strategies?

- A. stability, focus, and turnaround
- B. growth, stability, and renewal
- C. growth, cost leadership, and differentiation
- D. stability, differentiation, and focus

Answer: B

21) A _____ strategy is when an organization expands the number of markets served or the products offered.

- A. growth
- B. renewal
- C. stability
- D. retrenchment

Answer: A

22) Organizations grow by using strategies of _____.

- A. concentration, integration, or diversification
- B. concentration, integration, or stabilization
- C. integration, diversification, or differentiation
- D. integration, diversification, or functionalization

Answer: A

23) An organization that grows using _____ focuses on its primary line of business and increases the number of products offered or markets served in this primary business.

- A. concentration
- B. horizontal integration
- C. vertical integration
- D. diversification

Answer: A

- 24) In _____, the organization becomes its own supplier so it can control its inputs.
- A. concentrated integration
 - B. backward vertical integration
 - C. forward vertical integration
 - D. horizontal integration

Answer: B

- 25) In _____, the organization gains control of its outputs by becoming its own distributor.
- A. diversified integration
 - B. concentrated integration
 - C. backward vertical integration
 - D. forward vertical integration

Answer: D

- 26) Ronald's has been in the fast food business for five years. After struggling for two years, it finally broke even, and the French fries it offers are its most popular product. However, during the past year, its business has suffered because the farm that used to supply it with potatoes has increased its prices drastically. What should Ronald's do to control its production costs?
- A. Ronald's should reorganize its organizational hierarchy to increase efficiency.
 - B. Ronald's should buy out the farm and become its own supplier.
 - C. Ronald's should open more distribution outlets.
 - D. Ronald's should broaden its product range by introducing potato nuggets on its menu.

Answer: B

- 27) In _____, a company grows by combining with competitors.
- A. concentrated integration
 - B. horizontal integration

- C. vertical integration
- D. diversified integration

Answer: B

28) When L'Oreal acquired The Body Shop, it carried out _____.

- A. horizontal integration
- B. forward horizontal integration
- C. backward horizontal integration
- D. diversified integration

Answer: A

29) An organization that is diversifying its product line is exhibiting what type of corporate strategy?

- A. turnaround strategy
- B. retrenchment strategy
- C. growth strategy
- D. stability strategy

Answer: C

30) _____ takes place when a company combines with other companies in different, but associated, industries.

- A. Stabilized diversification
- B. Horizontal integration
- C. Vertical integration
- D. Related diversification

Answer: D

31) When a company combines with firms in different and dissimilar industries, it indulges in _____.

- A. unrelated diversification

- B. horizontal integration
- C. vertical integration
- D. stabilized diversification

Answer: A

- 32) Florence is a chain of flower shops in the Chicago area. The company recently acquired Knick-knacks, which owns three gift shops. Which of the following is most similar to this acquisition?
- A. Construction firm Donaldson acquired Fabric Textiles as it seemed like a good investment.
 - B. Faced with mounting raw material costs, I&A Products took over its supplier, BR Corporation.
 - C. Dallas Shoes buys out Runtime Shoes and expands its distribution channels through Runtime outlets.
 - D. Toy World acquired Unicorn Children's Books and now retails both toys and books from co-branded outlets.

Answer: D

- 33) When an organization continues serving the same clients by offering the same product or service, maintaining market share, and sustaining the organization's current business operations, it is following a _____ strategy.
- A. renewal
 - B. stability
 - C. retrenchment
 - D. turnaround

Answer: B

- 34) _____ strategies address declining performance through retrenchment and turnaround strategies.
- A. Renewal

- B. Stability
- C. Growth
- D. Functional

Answer: A

35) A _____ strategy is used to deal with minor performance problems. It helps an organization stabilize operations, revitalize organizational resources and capabilities, and prepare to compete once again.

- A. turnaround
- B. stability
- C. growth
- D. retrenchment

Answer: D

36) Which of the following provides a framework for understanding diverse businesses and helps managers establish priorities for allocating resources?

- A. a differentiation strategy
- B. vertical integration
- C. a corporate portfolio matrix
- D. a strategic business unit

Answer: C

37) In the Boston Consulting Group (BCG) matrix, a business unit that has a low anticipated growth rate but a high market share is known as a _____.

- A. cash cow
- B. star
- C. dog
- D. question mark

Answer: A

38) In the BCG matrix, a business unit that has a high anticipated growth rate but a low market share is known as a _____.

- A. star
- B. dog
- C. cash cow
- D. question mark

Answer: D

39) In the BCG matrix, a _____ has a low anticipated growth rate and a low market share.

- A. question mark
- B. cash cow
- C. dog
- D. star

Answer: C

40) In the BCG matrix, a _____ enjoys a high anticipated growth rate and a high market share.

- A. question mark
- B. star
- C. cash cow
- D. dog

Answer: B

41) _____ should be sold off or liquidated as they have low market share and low growth potential.

- A. Cash cows
- B. Stars
- C. Question marks
- D. Dogs

Answer: D

42) Managers should "milk" cash cows for as much as they can, limit any new investment in them, and use the large amounts of cash generated to invest in _____ and _____.

- A. dogs; stars
- B. cash cows; dogs
- C. stars; question marks
- D. question marks; dogs

Answer: C

43) Heavy investment in _____ will help take advantage of the market's growth and help maintain high market share.

- A. cash cows
- B. stars
- C. question marks
- D. dogs

Answer: B

44) In an organization, the single independent businesses which formulate their own competitive strategies are known as _____.

- A. strategic growth units
- B. strategic business units
- C. focus units
- D. service units

Answer: B

45) Kiva Systems, manufacturer of robots used in flexible automation systems, demonstrates the power of _____ by "teaching" its robots to dispose of used cardboard and to assist in gift wrapping for e-commerce warehouse fulfillment.

- A. design thinking

- B. competitive advantage
- C. strategic flexibility
- D. e-business strategies

Answer: A

46) Which of the following is a competitive force under the five forces model?

- A. past rivalry with competitors
- B. predictable changes in the market
- C. vertical integration
- D. threat of substitutes

Answer: D

47) A cost leadership strategy requires a firm to _____.

- A. maintain the lowest cost structure
- B. be unique in its product offering
- C. aim at a cost advantage in a niche market
- D. match its competition in terms of costs

Answer: A

48) A company that competes by offering unique products that are widely valued by customers is following a _____.

- A. leadership strategy
- B. differentiation strategy
- C. focus strategy
- D. functional strategy

Answer: B

49) Which of the following strategies involves a cost advantage or a differentiation advantage in a narrow segment?

- A. flexibility strategy

- B. focus strategy
- C. functional strategy
- D. leadership strategy

Answer: B

- 50) A firm that is "stuck in the middle" cannot develop _____.
- A. a cost or differentiation advantage
 - B. a functional strategy
 - C. a leadership strategy
 - D. a flexible strategy

Answer: A

- 51) Functional-level strategy directly supports the _____.
- A. corporate strategy
 - B. competitive strategy
 - C. growth strategy
 - D. concentration strategy

Answer: B

- 52) _____ is the ability to anticipate, envision, maintain flexibility, think strategically, and work with others in the organization to initiate changes that will create a viable and valuable future for the organization.
- A. Strategic leadership
 - B. Scientific management
 - C. Strategic competence
 - D. Strategic flexibility

Answer: A

- 53) How can an organization develop strategic flexibility?
- A. It should commit resources only after thorough planning.

- B. It should monitor and evaluate its past strategies.
- C. It should depend on tried and tested perspectives from senior employees.
- D. It should have multiple alternatives when making strategic decisions.

Answer: D

54) _____ is the ability to recognize major external changes, to quickly commit resources, and to recognize when a strategic decision is not working.

- A. Strategic apprenticeship
- B. Strategic flexibility
- C. Strategic leadership
- D. Strategic acceptability

Answer: B

55) How can a cost leader use e-business to reduce costs?

- A. It could automate purchasing and payment systems so that customers have detailed status reports.
- B. It could provide rapid online responses to service requests.
- C. It could use Internet-based knowledge systems to shorten customer response times.
- D. It could use Web-based inventory control systems that reduce storage costs.

Answer: D

56) An Internet-based knowledge management system that shortens customer response times would be an e-business technique that contributes to the competitive advantage of a _____.

- A. cost leader
- B. differentiator
- C. focuser
- D. brick

Answer: B

57) Who targets a narrow market segment with customized products?

- A. a differentiator
- B. an integrator
- C. a focuser
- D. a first mover

Answer: C

58) A _____ firm uses both online and traditional stand-alone locations.

- A. first mover
- B. clicks-and-bricks
- C. focuser
- D. brick-and-mortar

Answer: B

59) An organization that initially brings a product innovation to the market is known as the _____.

- A. first mover
- B. free rider
- C. cash cow
- D. question mark

Answer: A

60) Which of the following is an advantage of being a first mover?

- A. certainty over the direction of technology and market
- B. low development costs
- C. no financial or strategic risks
- D. opportunity to begin building customer relationships

Answer: D

61) What is a strategic disadvantage of being a first mover?

- A. least opportunity to build customer loyalty
- B. risk of competitors imitating innovations
- C. no cost and learning benefit
- D. no control over resources

Answer: B