

Exam  
Name \_\_\_\_\_

**TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.**

- 1) Strategic management is the set of managerial decisions and actions that determines the short-term performance of an organization. 1) \_\_\_\_\_  
Answer: True ☒ False
- 2) "Strategic model" is a term that is often used in conjunction with strategic management and strategies. 2) \_\_\_\_\_  
Answer: True ☒ False
- 3) Within an industry, an environment can present opportunities to one organization and pose threats to another. 3) \_\_\_\_\_  
Answer: ☒ True False
- 4) Formal strategic planning is implemented in most Arab organizations. 4) \_\_\_\_\_  
Answer: True ☒ False
- 5) The trend for formal strategic planning in the Arab world is increasing. 5) \_\_\_\_\_  
Answer: ☒ True False
- 6) Evaluating an organization's intangible assets is part of doing an internal analysis in the strategic management process. 6) \_\_\_\_\_  
Answer: ☒ True False
- 7) The first step in the strategic management process is analyzing the external environment. 7) \_\_\_\_\_  
Answer: True ☒ False
- 8) Activities that an organization does well or resources that it has available are called capabilities. 8) \_\_\_\_\_  
Answer: True ☒ False
- 9) Exceptional or unique organizational resources are known as core capabilities. 9) \_\_\_\_\_  
Answer: True ☒ False
- 10) SWOT analysis includes an analysis of an organization's environmental opportunities and threats. 10) \_\_\_\_\_  
Answer: ☒ True False
- 11) The final step in the strategic management process is implementing the objectives. 11) \_\_\_\_\_  
Answer: True ☒ False
- 12) Corporate-level strategies are developed for organizations that run more than one type of business. 12) \_\_\_\_\_  
Answer: ☒ True False
- 13) A trucking company that grows by purchasing a chain of gasoline stations is engaged in horizontal integration. 13) \_\_\_\_\_  
Answer: True ☒ False
- 14) Diversification is an example of a corporate retrenchment strategy. 14) \_\_\_\_\_  
Answer: True ☒ False

- 15) If Burger King were to buy out other burger restaurants, Burger King would be growing by vertical consolidation. 15) \_\_\_\_\_  
Answer: True ☒ False
- 16) A stability strategy is developed when management decides it will remain profitable by maintaining the status quo in a rapidly changing external environment. 16) \_\_\_\_\_  
Answer: ☒ True False
- 17) A retrenchment strategy is a shortrun renewal strategy designed to address organizational weaknesses that are leading to performance declines. 17) \_\_\_\_\_  
Answer: ☒ True False
- 18) Turnaround is one type of renewal strategy. 18) \_\_\_\_\_  
Answer: ☒ True False
- 19) The BCG matrix evaluates an organization's various businesses to identify which ones offer high potential and which drain organizational resources. 19) \_\_\_\_\_  
Answer: ☒ True False
- 20) Stars, one of the four business groups in the corporate portfolio matrix, are characterized by low growth and low market share. 20) \_\_\_\_\_  
Answer: True ☒ False
- 21) When managers "manage strategically" by following the strategic management process, the chosen strategies will always lead to positive outcomes. 21) \_\_\_\_\_  
Answer: True ☒ False

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 22) What is a strategic design for how a company intends to profit from its strategies, work processes, and work activities? 22) \_\_\_\_\_  
A) A strategic management model. B) A strategic model.  
C) A business model. D) A competitive model.  
Answer: C
- 23) Studies of the factors that contribute to organizational performance have shown \_\_\_\_\_ relationship between strategic planning and performance. 23) \_\_\_\_\_  
A) a negative B) a positive C) no D) a mixed  
Answer: B
- 24) Why is strategic management important? 24) \_\_\_\_\_  
A) Most organizations do not change.  
B) It has little impact on organizational performance.  
C) Organizations are composed of similar divisions and functions.  
D) It is involved in many of the decisions that managers make.  
Answer: D
- 25) The first \_\_\_\_\_ steps of the strategic management process describe the planning that must take place. 25) \_\_\_\_\_  
A) four B) three C) five D) two  
Answer: A

- 26) In the first step of strategic management, the mission of the firm answers the question, \_\_\_\_\_ 26) \_\_\_\_\_  
 A) "who are our customers?"  
 B) "what is our reason for being in business?"  
 C) "what business should we be in?"  
 D) "who are our creditors?"  
 Answer: B
- 27) What provides clues as to what an organization sees as its purpose? 27) \_\_\_\_\_  
 A) The organization's strategies. B) The organization's mission.  
 C) The organization's goals. D) The organization's business model.  
 Answer: B
- 28) In the first step of strategic management, identifying the current strategies and goals provides \_\_\_\_\_ 28) \_\_\_\_\_  
 A) an understanding of what the competition is doing  
 B) important information about an organization's specific resources and capabilities  
 C) a basis to determine if the goals need to be changed  
 D) an idea of what trends and changes are occurring  
 Answer: C
- 29) In analyzing the environment, managers should know \_\_\_\_\_. 29) \_\_\_\_\_  
 A) the goals currently in place and the strategies currently being used  
 B) the competition's stock price  
 C) the organization's purpose  
 D) about pending legislation that might affect the organization  
 Answer: D
- 30) When an organization is analyzing its labor supply, it is studying its \_\_\_\_\_. 30) \_\_\_\_\_  
 A) internal environment B) external environment  
 C) organizational culture D) organizational structure  
 Answer: B
- 31) \_\_\_\_\_ and \_\_\_\_\_ are outcomes from a study of the external environment. 31) \_\_\_\_\_  
 A) Strengths; weaknesses B) Opportunities; threats  
 C) Threats; weaknesses D) Weights; measures  
 Answer: B
- 32) The third step in strategic management is related to analysis of \_\_\_\_\_. 32) \_\_\_\_\_  
 A) the external environment  
 B) the alternatives the firm faces  
 C) the internal environment  
 D) time pressures involved in serving the customer  
 Answer: C
- 33) What are an organization's financial, physical, human, and intangible assets that are used to develop, manufacture, and deliver products or services to its customers? 33) \_\_\_\_\_  
 A) its resources B) its capabilities  
 C) its core competencies D) its opportunities  
 Answer: A
- 34) If a bank estimates the capabilities of its training and development department employees prior to implementing a new training program designed to change their method of providing customer service,

it is 34) \_\_\_\_\_

completi \_\_\_\_\_

ng what \_\_\_\_\_

step in

the

strategic

manage

ment

process?

- A) Carrying out an external analysis.
- B) Carrying out an internal analysis.
- C) Identifying the organization's current mission, goals, and strategies.
- D) Formulating strategies.

Answer: B

35) \_\_\_\_\_ are the organization's major value-creating skills, capabilities, and resources that determine the organization's competitive weapons.

35) \_\_\_\_\_

- A) Opportunities
- B) Weaknesses
- C) Core competencies
- D) Strengths

Answer: C

36) An example of a core competency of a firm is \_\_\_\_\_.

36) \_\_\_\_\_

- A) communicating with customers in their own languages worldwide
- B) the corporate reputation
- C) evaluating tangible and intangible assets
- D) developing least-squared exemptions within its accounting system

Answer: A

37) Corporate reputation is an organization's \_\_\_\_\_ resource.

37) \_\_\_\_\_

- A) intangible
- B) human
- C) physical
- D) financial

Answer: A

38) The merging of the analyses of internal and external factors influencing an organization's strategy is known as \_\_\_\_\_.

38) \_\_\_\_\_

- A) SWOT analysis
- B) organizational behavior and theory
- C) complete studies
- D) definitional analysis

Answer: A

39) The final step in strategic planning answers the question, \_\_\_\_\_

39) \_\_\_\_\_

- A) "what business have we been in?"
- B) "how effective have our strategies been?"
- C) "how much money have we lost?"
- D) "what business should we have we been in?"

Answer: B

40) Which of the following statements about strategic planning in Arab organizations is not true?

40) \_\_\_\_\_

- A) Formal strategic planning exists but is rather limited.
- B) There is lack of confidence in the impact of formal strategic planning.
- C) Informal strategic planning exists in most small and medium-sized organizations.
- D) The trend for formal strategic planning is on the rise.

Answer: C

- 41) Middle-level managers are typically responsible for \_\_\_\_\_ strategies. 41) \_\_\_\_\_  
A) organizational B) operational C) competitive D) corporate  
Answer: C
- 42) \_\_\_\_\_ strategy determines what businesses an organization should be in. 42) \_\_\_\_\_  
A) Operational B) Corporate C) Business D) Organizational  
Answer: B
- 43) When PepsiCo seeks to integrate the strategies of Pepsi, 7-Up International, and Frito-Lay, it is developing what level of business strategy? 43) \_\_\_\_\_  
A) Corporate B) System C) Functional D) Management  
Answer: A
- 44) Air Arabia's motto "Pay Less, Fly More" is indicative of which type of strategy? 44) \_\_\_\_\_  
A) Value Cost B) Low Cost  
C) Differentiated Cost D) Best Cost  
Answer: B
- 45) What are the three main types of corporate strategy? 45) \_\_\_\_\_  
A) Concentration, integration, and diversification.  
B) Retrenchment, turnaround, and clicks-and-bricks.  
C) Cost leadership, differentiation, and focus.  
D) Growth, stability, and renewal.  
Answer: D
- 46) There are three main types of growth strategies: \_\_\_\_\_. 46) \_\_\_\_\_  
A) concentration, integration, and exfoliation  
B) integration, diversification, and infiltration  
C) concentration, integration, and focus  
D) concentration, integration, and diversification  
Answer: D
- 47) Growth through \_\_\_\_\_ is achieved when an organization chooses to grow by increasing its own business operations. 47) \_\_\_\_\_  
A) horizontal integration B) vertical integration  
C) related diversification D) concentration  
Answer: D
- 48) In \_\_\_\_\_, the organization gains control of its outputs by becoming its own distributor. 48) \_\_\_\_\_  
A) forward horizontal integration B) backward horizontal integration  
C) backward vertical integration D) forward vertical integration  
Answer: D
- 49) When an organization attempts to combine with other organizations in the same industry, the strategy is known as \_\_\_\_\_. 49) \_\_\_\_\_  
A) horizontal integration B) concentration  
C) a stability strategy D) vertical integration  
Answer: A
- 50) If Jazeera Airways were to merge with Ettihad Airways, this would be an example of what kind of growth strategy? 50) \_\_\_\_\_  
A) Vertical integration. B) Acquisition.

C) Expansion.

D) Horizontal integration.

Answer: D

- 51) An organization that is diversifying its product line is exhibiting what type of growth strategy? 51) \_\_\_\_\_  
A) Growth B) Retrenchment C) Stability D) Maintenance

Answer: A

- 52) When an organization attempts to combine with other organizations in different, but associated industries, the strategy is known as a \_\_\_\_\_ strategy. 52) \_\_\_\_\_  
A) vertical integration B) horizontal integration  
C) growth D) related diversification

Answer: D

- 53) When an organization attempts to combine with other organizations in different and disassociated industries, the strategy is known as a(n) \_\_\_\_\_ strategy. 53) \_\_\_\_\_  
A) stability B) unrelated diversification  
C) horizontal integration D) vertical integration

Answer: B

- 54) A(n) \_\_\_\_\_ strategy addresses organizational weaknesses, helps stabilize operations, and revitalizes organizational resources and capabilities. 54) \_\_\_\_\_  
A) retrenchment B) unrelated diversification  
C) vertical integration D) horizontal integration

Answer: A

- 55) What type of strategy is a renewal strategy for times when the organization's performance problems are more critical? 55) \_\_\_\_\_  
A) Differentiation B) Retrenchment C) Focus D) Turnaround

Answer: D

- 56) In the Boston Consulting Group (BCG) matrix, a business unit that exists in a low anticipated growth rate and a high market share is known as a \_\_\_\_\_. 56) \_\_\_\_\_  
A) cash cow B) question mark C) dog D) star

Answer: A

- 57) In the BCG matrix, a business unit that exists in a high anticipated growth rate and a low market share is known as a \_\_\_\_\_. 57) \_\_\_\_\_  
A) cash cow B) question mark C) star D) dog

Answer: B

- 58) In the BCG matrix, a \_\_\_\_\_ does not consume or produce much cash and holds little or no improved performance. 58) \_\_\_\_\_  
A) dog B) cash cow C) question mark D) star

Answer: A

- 59) 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 \_\_\_\_\_. 59) \_\_\_\_\_  
A) stars; question marks B) more cash cows; question marks  
C) question marks; dogs D) stars; dogs

Answer: A

- 60) Heavy investment in \_\_\_\_\_ will help take advantage of the market's growth and help maintain 59) \_\_\_\_\_

high  
market  
share.

60)

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

Answer: B

61) The \_\_\_\_\_ should be sold off or liquidated as they have low market share in markets with low growth potential. 61) \_\_\_\_\_

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

Answer: C

62) What can provide a framework for understanding diverse businesses and help managers establish priorities for making resource allocation decisions? 62) \_\_\_\_\_

- A) A corporate portfolio matrix.                      B) A strategic business unit.  
C) A competitive advantage.                      D) A competitive strategy.

Answer: A

63) For a small organization in only one line of business, the competitive strategy simply describes \_\_\_\_\_. 63) \_\_\_\_\_

- A) how the company will compete in its main market  
B) the customers it wants to reach  
C) its competitive advantage  
D) what products or services it will offer

Answer: A

64) An organization is said to have \_\_\_\_\_ when it has several different businesses that are independent and that formulate their own strategies. 64) \_\_\_\_\_

- A) competitive advantages                      B) operational units  
C) strategic business units                      D) legal subunits

Answer: C

65) An example of \_\_\_\_\_ is when an organization possesses a characteristic that sets itself apart from competitors and gives the firm a distinctive edge. 65) \_\_\_\_\_

- A) competitive advantage                      B) legal propriety  
C) core competency                      D) competitive power

Answer: A

66) To a degree, an organization's commitment to quality and continuous improvement can differentiate it from competitors, but constant improvement and reliability of an organization's products and/or services may result in a competitive advantage that is \_\_\_\_\_. 66) \_\_\_\_\_

- A) uncertain                      B) weighted                      C) sustainable                      D) conservative

Answer: C

67) What can challenge managers' attempts at creating a long-term, sustainable competitive advantage? 67) \_\_\_\_\_

- A) Predictable changes.                      B) Competitive strategies.  
C) Old technologies.                      D) Market instabilities.

Answer: D

68) Cost leadership as a strategy requires a firm to \_\_\_\_\_. 68) \_\_\_\_\_

- A) aggressively search out efficiencies to maintain the lowest cost structure  
B) be unique in its product offering

C) aim to be similar to its competition in most operations

D) aim at a cost advantage in a niche market

Answer: A

69) Differentiation as a strategy requires a firm to \_\_\_\_\_. 69) \_\_\_\_\_

A) aim at a cost advantage in a niche market

B) be unique in its product offering

C) aim to be similar to its competition in all operations

D) aggressively search out efficiencies to maintain the lowest cost structure

Answer: B

70) Practically any successful consumer product or service can be identified as an example of the \_\_\_\_\_. 70) \_\_\_\_\_

A) differentiation strategy

B) focus strategy

C) cost leadership strategy

D) breadth strategy

Answer: A

71) What generic competitive strategy involves a cost advantage or a differentiation advantage in a narrow segment or niche? 71) \_\_\_\_\_

A) focus

B) breadth

C) differentiation

D) cost leadership

Answer: A

72) When following the focus strategy, a \_\_\_\_\_ can be based on product variety, type of end buyer, distribution channel, or geographic location of buyers. 72) \_\_\_\_\_

A) cost focus

B) segment

C) unique product

D) differentiation advantage

Answer: B

73) A firm that is "stuck in the middle" cannot develop \_\_\_\_\_. 73) \_\_\_\_\_

A) strategic flexibility

B) long-term success

C) an effective strategy

D) a cost or differentiation advantage

Answer: D

74) Functional-level strategy directly supports \_\_\_\_\_. 74) \_\_\_\_\_

A) differentiation strategy

B) corporate strategy

C) competitive strategy

D) focus strategy

Answer: C

75) \_\_\_\_\_ is the ability to recognize major external environmental changes, to quickly commit resources, and to recognize when a strategic decision is not working? 75) \_\_\_\_\_

A) Strategic management

B) Strategic flexibility

C) Competitive advantage

D) An opportunity

Answer: B

76) How can a company create strategic flexibility? 76) \_\_\_\_\_

A) Encourage employees to be open about disclosing negative information.

B) Never make mistakes.

C) Get old ideas from senior employees.

D) Know what has happened with strategies in the past.

Answer: A

77) How can a cost leader use e-business to reduce costs? 77) \_\_\_\_\_



- A) By using web-based inventory control systems that reduce storage costs.
- B) By using stand-alone locations only.
- C) By adding a sales phone line and a sales force.
- D) By personally testing and evaluating job applicants.

Answer: A

78) An internet-based knowledge management system that resulted in shorter customer response times would be one e-business technique that contributes to the competitive advantage of a \_\_\_\_\_.

- A) star
- B) differentiator
- C) cost leader
- D) focuser

Answer: B

79) Who targets a narrow market segment with customized products? 79) \_\_\_\_\_

- A) A first mover.
- B) A differentiator.
- C) A focuser.
- D) A clicks-and-bricks firm.

Answer: C

80) What e-business strategy uses both online and traditional stand-alone locations? 80) \_\_\_\_\_

- A) Differentiation
- B) Focus
- C) Functional
- D) Clicks-and-bricks

Answer: D

81) Customer service strategies involve giving the customers what they want, effective communication, and \_\_\_\_\_. 81) \_\_\_\_\_

- A) providing employees with incentives and bonuses for good service
- B) commitment from upper management
- C) applying existing technology to new uses
- D) providing employees with customer service training

Answer: D

82) Innovation strategies should reflect the organization's philosophy about innovation, which is shaped by \_\_\_\_\_. 82) \_\_\_\_\_

- A) giving the customers what they want and targeting a narrow market segment with customized products
- B) innovation emphasis and innovation timing
- C) innovative technology and internet technology
- D) communication of innovations and innovation training

Answer: B

83) Hikma Pharmaceuticals has become a global giant with hundreds of pharmaceutical products selling in about 50 countries. Its major driver has been \_\_\_\_\_. 83) \_\_\_\_\_

- A) a focus on continuous growth
- B) a focus on innovation
- C) a focus on organizational restructuring
- D) a focus on matching costs with quality products

Answer: B

84) Senior managers must decide whether or not the emphasis of their innovation efforts is going to be based upon \_\_\_\_\_. 84) \_\_\_\_\_

- A) process improvement
- B) cost effectiveness
- C) communication
- D) market research

Answer: A

- 85) Which company would benefit most from using a scientific research strategy to achieve high performance levels? 85) \_\_\_\_\_
- A) Arabian Cement Company.
  - B) Air Arabia.
  - C) Hikma Pharmaceuticals.
  - D) The Sultan Center (Chain of supermarkets).

Answer: C

- 86) Process development strategies seek to achieve a competitive advantage by \_\_\_\_\_. 86) \_\_\_\_\_
- A) committing to scientific research
  - B) making the firm more effective
  - C) improving on existing technology
  - D) looking for ways to enhance existing work processes

Answer: D

- 87) The first organization to bring a product or service to market is often referred to as the \_\_\_\_\_. 87) \_\_\_\_\_
- A) prime player
  - B) trailblazer
  - C) first mover
  - D) market leader

Answer: C

- 88) What is a strategic advantage of being a first mover? 88) \_\_\_\_\_
- A) Cost and learning benefits.
  - B) Low development costs.
  - C) Certainty over the direction of technology and market.
  - D) No financial or strategic risks.

Answer: A

- 89) What is a strategic disadvantage of being a first mover? 89) \_\_\_\_\_
- A) Risk of competitors imitating innovations.
  - B) No control over resources.
  - C) Reputation for being a follower.
  - D) A slow start at forming customer relationships and customer loyalty.

Answer: A

#### A New Business (Scenario)

Bassam majored in entrepreneurship and computer science in college. After graduation, he decided to start his own business as an e-business entrepreneur, founding an online B2B reverse auction company called CompuSave.

- 90) After hiring several employees, Bassam requires that each person in this company be involved in studying trends involving new technology, competitors, and customers. These employees are involved in \_\_\_\_\_. 90) \_\_\_\_\_
- A) strategic flexibility
  - B) internal environment
  - C) strategic management
  - D) external analysis

Answer: D

- 91) Bassam needs to complete a SWOT for the company's internal environment each quarter. This includes \_\_\_\_\_. 91) \_\_\_\_\_
- A) strengths and weaknesses
  - B) threats and weaknesses
  - C) strengths and opportunities
  - D) opportunities and threats

Answer: A

- 92) Bassam needs to complete a SWOT of the external environment in order to put together his strategic plan. he will analyze the \_\_\_\_\_. 92) \_\_\_\_\_
- A) opportunities and threats B) strengths and opportunities  
C) strengths and weaknesses D) threats and weaknesses
- Answer: A

### SWOT Analysis (Scenario)

As a process of self-examination during her last year of college, Hana decides to develop a SWOT analysis of her prospects relative to getting a job.

- 93) Hana realizes that she has a personal characteristic that suggests she is not comfortable interacting with strangers. She interprets this as a(n) \_\_\_\_\_ if she is to get a job as a salesperson. 93) \_\_\_\_\_
- A) weakness B) alternative C) opportunity D) strength
- Answer: A

- 94) Hana majored in marketing and really enjoyed studies in market research. Through research on the Internet and in the university library, she discovers that this industry appears to have significant positive external trends. She interprets this as a(n) \_\_\_\_\_. 94) \_\_\_\_\_
- A) opportunity B) alternative C) weakness D) strength
- Answer: A

- 95) Hana has been involved in \_\_\_\_\_ at a personal level. 95) \_\_\_\_\_
- A) stage decision making B) strategic planning  
C) opportunity analysis D) risk avoidance
- Answer: B

### Shawarma Rocket (Scenario)

Imagine that you are the president of Shawarma Rocket, a new and successful chain of 100 Lebanese fast-food restaurants. The success you have experienced in the last five years has you thinking of what to do with the business next. Should you expand the business at the current rate? Open new and different restaurants?

- 96) You decide to concentrate on Shawarma Rocket's primary business by only increasing the menu to include new items such as fries and rice bowls. This is an example of what type of growth strategy? 96) \_\_\_\_\_
- A) Horizontal integration. B) Related diversification.  
C) Concentration. D) Lateral growth.
- Answer: C

- 97) Your oldest supplier, Dajaj Distributors, is a family-owned firm. Recently, the firm's president, Samer, made the decision to retire. To his disappointment, none of his five children stepped forward to take his place at the helm of the firm. Samer is concerned that if he sells his company to a larger distributor, many of his employees will lose their jobs. You approach your old friend with a generous offer to buy Dajaj and continue its current operations. Should your offer be accepted, Shawarma Rocket would be undertaking \_\_\_\_\_. 97) \_\_\_\_\_
- A) unrelated diversification B) lateral growth  
C) forward vertical integration D) backward vertical integration
- Answer: D

- 98) You decide to purchase a local five-store hardware chain because it was a good investment. This is an example of \_\_\_\_\_. 98) \_\_\_\_\_

- A) a combination purchase
- C) unrelated diversification

- B) a lateral growth strategy
- D) related diversification

Answer: C

- 99) Because of the good profits and a fear of growing too fast, you decide to keep Shawarma Rocket in the same business and do not change the menu. You hope to retain the same market share and return-on-investment record. This is considered a \_\_\_\_\_ strategy. 99) \_\_\_\_\_

- A) combination
- B) growth
- C) diversification
- D) stability

Answer: D

#### Nahar Gift Shop (Scenario)

Nisreen has just won the equivalent of \$60,000 in a talent competition. Subsequently, she decides to start her own business and opens a gift shop.

- 100) Nisreen is successful after the first 3 years, and she is approached by a competitor who is nearing retirement age. The competitor is interested in selling his business to Nisreen. For Nisreen, this would be a(n) \_\_\_\_\_ strategy. 100) \_\_\_\_\_

- A) horizontal integration
- B) unrelated diversification
- C) vertical integration
- D) retrenchment

Answer: A

- 101) A business broker hears that Nisreen is interested in purchasing a business and approaches her with an offer to sell her a company that owns a patent on a skin care product. If she buys this firm, she will be using a(n) \_\_\_\_\_ strategy. 101) \_\_\_\_\_

- A) vertical integration
- B) related diversification
- C) unrelated diversification
- D) horizontal integration

Answer: C

- 102) No matter which business Nisreen decides to buy, she intends to operate each business independently and allow each to determine its own strategy. This will mean that each company will be a(n) \_\_\_\_\_. 102) \_\_\_\_\_

- A) strategic business unit
- B) legal subunit
- C) competitive advantage
- D) operational unit

Answer: A

- 103) Nisreen decides that she wants to produce some of the items she sells. She decides that she wants her business to develop a distinctive edge in producing high-quality items. This emphasis on quality is to be so strong that her company will have a \_\_\_\_\_ that will set her company apart from her competition. 103) \_\_\_\_\_

- A) competitive power
- B) competitive advantage
- C) core competence
- D) legal propriety

Answer: B

#### Shawarma Rocket II (Scenario)

As the original owner of Shawarma Rocket, you have seen your business holdings grow substantially over the last 10 years. The number of stores you own and franchise has grown by 200 percent and you own a number of companies in related and unrelated areas.

- 104) You purchased Shanghai Grill and Dajaj Distributors after being in business for five years. What level of strategy integrates the strategies of your various business units? 104) \_\_\_\_\_

- A) Corporate level
- B) Strategic level

C) Business level

D) Functional level

Answer: A

- 105) You called the Boston Consulting Group (BCG), and they have provided you with some advice based on their famous corporate portfolio matrix. Your oldest holding, Shawarma Rocket, has not grown much in recent years, but due to low debt, it generates a huge amount of cash. According to BCG, Shawarma Rocket would be considered a \_\_\_\_\_. 105) \_\_\_\_\_

A) star                      B) question mark                      C) cash cow                      D) dog

Answer: C

- 106) Recently, you also purchased a company that manufactures a new satellite dish, allowing you to enter into the cable television market. The business is profitable and growing, but the technological unknowns make it risky. BGC considers it a \_\_\_\_\_. 106) \_\_\_\_\_

A) star                      B) dog                      C) cash cow                      D) question mark

Answer: D

- 107) You now need to decide how to best manage and utilize the large number of assets represented by the numerous companies you own. For each SBU, you must create a \_\_\_\_\_ strategy to determine how your corporation should compete in each of its businesses. 107) \_\_\_\_\_

A) functional-level                      B) corporate-level  
C) business-level                      D) tactical

Answer: C

#### Megabyte Center (Scenario)

Your old friend, Ayoub, is the owner and general manager of Megabyte Center, a computer reseller and systems integrator located in Istanbul, Turkey. Since leaving IBM to start a business in his home country, Ayoub's company has steadily grown, due in large part to the business partnerships he's established over the years with large foreign computer and software firms, such as Goldstar and Microsoft. These relationships have helped his company win considerable market share in Turkey, as well as in other countries in the region. However, since the latest governmental economic reforms over the past ten years, there has been a huge influx of foreign capital into Turkey. For example, several large Asian firms have made Istanbul a center for their European operations. Tourism is on the rise, with over 20 new major hotels built over the past three years. As a result, demand for Megabyte's products and services has increased markedly, but so has the level and diversity of its competition. While Megabyte's customer base has remained fairly loyal, many longtime customers are beginning to demand price concessions and enhanced service levels in return for their continued business. Additionally, Ayoub has learned recently that several of his former suppliers and business partners are considering establishing local sales offices of their own in Istanbul. Ayoub knows you are very knowledgeable about competitive strategy and calls you asking for advice. You begin by telling him about the types of corporate strategies.

- 108) With all the changes presently occurring in the computer reseller market, you advise him to stay with his present course until the market calms down. You are recommending which corporate strategy for Ayoub to use? 108) \_\_\_\_\_

A) Growth                      B) Retrenchment                      C) Renewal                      D) Stability

Answer: D

- 109) Once Ayoub has assessed the five forces and determined the threats and opportunities that exist in the current environment, you tell him that he is then ready to select an appropriate competitive strategy. Porter outlines three "generic" strategies: cost leadership, differentiation, and \_\_\_\_\_. 109) \_\_\_\_\_

A) focus                      B) segmentation  
C) niche                      D) stuck in the middle

Answer: A

- 110) Because his customers are demanding price concessions and enhanced service levels in return for their continued business, Ayoub decides that he wants to compete by offering unique products that are widely valued by customers. What strategy is Ayoub following? 110) \_\_\_\_\_
- A) Differentiation      B) Cost leadership      C) Stability      D) Focus
- Answer: A

- 111) Ayoub is considering forgoing the retail side of his business entirely. Instead, he will redirect his resources toward reselling hardware and software and providing systems integration services to governmental and industrial sectors. Such a move would be most representative of which one of Porter's generic strategies? 111) \_\_\_\_\_
- A) Segmentation      B) Stuck in the middle  
C) Niche      D) Focus
- Answer: D

**ESSAY. Write your answer in the space provided or on a separate sheet of paper.**

- 112) In a short essay, list and discuss what studies have shown regarding Arab organizations' implementation of strategic planning.

Answer: The few studies that have addressed strategic planning in Arab organizations have shown three things:

1. **Formal strategic planning exists but is rather limited.** The vast majority of organizations implement various forms of reactive and intuitive planning. Very few implemented formal strategic planning. However, many of the firms associated with foreign companies implement this process.
2. **Lack of confidence in the impact of formal strategic planning.** Managers sometimes doubt the real value of strategic planning. In a culture where some individuals are more concerned about the present and near future rather than the distant future, appreciation for long-term strategies tends to be limited.
3. **The trend for formal strategic planning is on the rise.** Despite the above two points, it seems that more organizations have recently moved to implement formal strategic planning systems. With the increased use of Western models of management, many managers are finding it important to enhance awareness about such processes to make implementation easier

- 113) In a short essay, explain why strategic management is important.

Answer: One of the most significant reasons that strategic management is important is that it can make a difference to how well an organization performs. The most basic questions about strategy look at why firms succeed or fail, and why, when faced with the same environmental conditions, their performance levels vary. Studies into the factors that contribute to organizational performance have generally shown a positive relationship between strategic planning and performance. In other words, it appears that organizations that use strategic management do have higher levels of performance. Another reason strategic management is important has to do with the fact that organizations of all types and sizes face continually changing situations. These changes may be minor or significant, but it's still change with which managers must cope. That's where strategic management comes in. Using the strategic management process, managers examine relevant factors in deciding what actions to take, thus helping them cope better with uncertain environments. Strategic management is also important because of the nature of organizations. They're composed of diverse divisions, departments, functions, and work activities—manufacturing, marketing, accounting, and so forth—that all need to be coordinated and focused on achieving the organization's goals. Strategic management does this. Strategic management helps in coordinating and focusing employees by clarifying and pinpointing what's important and by providing the reasons for why they're doing what they're doing. Finally, strategic management is important because it's involved in many of the decisions that managers make.

- 114) In a short essay, describe the strategic management process and identify the six stages in the process.

Answer: The strategic management process is a six-step process that encompasses strategy planning, implementation, and evaluation. The first four steps describe the planning that must take place. Even

the best strategies can fail if management doesn't implement or evaluate them properly. The first step in the strategic management process is to identify the organization's current mission, goals, and strategies. Defining the organization's mission forces managers to identify what it's in business to do.

Knowing the company's current goals gives managers a basis for assessing whether those goals need to be changed. For the same reasons, it's important for managers to know the organization's current strategies to assess whether any need to be changed. The second step is to do an external analysis. Managers need to know, for instance, what the competition is doing, what pending legislation might affect the organization, or what the labor supply is like in locations where it operates. In analyzing the external environment, managers should examine both the specific and general environments to see what trends and changes are occurring. After analyzing the environment, managers need to assess what they have learned in terms of opportunities that the organization can exploit, and threats that it must counteract or buffer against. The third step is to do an internal analysis, which provides important information about an organization's specific resources and capabilities. After doing the internal analysis, managers should be able to identify organizational strengths and weaknesses. This step forces managers to recognize that their organizations, no matter how large or successful, are constrained by the resources and capabilities they have. The combined external and internal analyses are called SWOT analysis because it's an analysis of the organization's strengths, weaknesses, opportunities, and threats. The fourth step is to formulate strategies. As managers formulate strategies, they have to consider the realities of the external environment and their available resources and capabilities and design strategies that will help the organization achieve its goals. After strategies are formulated, they must be implemented. A strategy is only as good as its implementation. The final step in the strategic management process is evaluating results. How effective have the strategies been? Have they helped the organization reach its goals? What adjustments, if any, are necessary?

115) In a short essay, list and discuss the three levels of strategy that a large organization must develop.

Answer: a. Corporate strategy—this strategy seeks to determine what businesses a company should be in or wants to be in. Corporate strategy determines the direction that the organization is going in and the roles that each business unit in the organization will plan in pursuing that direction.

b. Competitive strategy—this strategy seeks to determine how an organization should compete in each of its businesses. For a small organization in only one line of business or the large organization that has not diversified into different products or markets, the business strategy typically overlaps with the organization's corporate strategy. For organizations with multiple businesses, however, each division will have its own strategy that defines the products or services it will offer and the customers it wants to reach.

c. Functional strategy—this strategy seeks to determine how to support the business strategy. For organizations that have traditional functional departments such as manufacturing, marketing, human resources, research and development, and finance, these strategies need to support the business strategy.

116) In a short essay, discuss the Boston Consulting Group (BCG) matrix and explain its usefulness in segmenting businesses. Include a discussion of the characteristics for each of the four categories based on the BCG matrix.

Answer: The Boston Consulting Group matrix introduced the idea that an organization's businesses could be evaluated and plotted using a  $2 \times 2$  matrix to identify which ones offered high potential and which were a drain on organizational resources. The horizontal axis represents market share, which was evaluated as either low or high; and the vertical axis indicates anticipated market growth, which was also evaluated as either low or high. Based on its evaluation, the business was placed in one of four categories:

a. Cash cows (low growth, high market share)—businesses in this category generate large amounts of cash, but their prospects for future growth are limited.

b. Stars (high growth, high market share)—these businesses are in a fast-growing market, and hold a dominant share of that market. Their contribution to cash flow depends on their need for resources.

c. Question marks (high growth, low market share)—these businesses are in an attractive industry, but hold a small market share percentage.

- d. Dogs (low growth, low market share) □ businesses in this category do not produce or consume much cash. However, they hold little promise for improved performance.

117) In a short essay, discuss the concept of competitive advantage. Include specific examples of companies and their respective competitive advantages to support your answer.

Answer: Competitive advantage is what sets an organization apart, that is, its distinctive edge. That distinctive edge comes from the organization's core competencies, which might be in the form of organizational capabilities □ the organization does something that others cannot do or does it better than others can do it. For example, Wataniya Airways has a competitive advantage because of its ability to give passengers what they want - convenient and inexpensive service. Or competitive advantage can come from a company's resources - the organization has something that its competitors do not have. For instance, Wal-Mart's state-of-the-art information systems allows it to monitor and control inventories and supplier relations more efficiently than its competitors, which Wal-Mart has turned into a cost advantage.

118) In a short essay, list and discuss the three competitive strategies, according to Michael Porter. Include specific examples of companies that pursue each of the three competitive strategies.

Answer: a. Cost leadership strategy □ when an organization sets out to be the lowest-cost producer in its industry, it's following a cost leadership strategy. A low-cost leader is highly efficient. Overhead is kept to a minimum, and the firm does everything it can to cut costs. You will not find expensive art or interior decor at offices of low-cost leaders. Although low-cost leaders don't place a lot of emphasis on "frills," the product or service being sold must be perceived as comparable in quality to that offered by rivals or at least be acceptable to buyers. Examples of companies that have used the low-cost leader strategy include Wal-Mart, and Air Arabia.

b. Differentiation strategy □ the company that seeks to offer unique products, which are widely valued by customers is following a differentiation strategy. Product differences might come from exceptionally high quality, extraordinary service, innovative design, technological capability, or an unusually positive brand image. A consumer product or service that can be identified as an example of the differentiation strategy is Casper and Gambini's, an internationally franchised restaurant-cafe chain with regional headquarters in Lebanon.

c. Focus strategy □ the aim of the focus strategy is having a cost advantage or a differentiation advantage in a narrow segment or niche. That is, managers select a market segment or group of segments in an industry and don't attempt to serve the broad market. Segments can be based on product variety, type of end buyer, distribution channel, or geographical location. For example, Denmark's Bang & Olufsen, whose revenues are over US\$671 million, focuses on high-end audio equipment sales.

119) In a short essay, discuss how managers can formulate e-business strategies that contribute to the development of a sustainable competitive advantage in today's environment.

Answer: Managers can formulate e-business strategies that contribute to the development of a sustainable competitive advantage. A cost leader can use e-business to reduce costs in a variety of ways. It might use online bidding and order processing to eliminate the need for sales calls and to decrease sales force expenses. It could use Web-based inventory control systems that reduce storage costs; or it might use online testing and evaluation of job applicants. A differentiator needs to offer products or services that customers perceive and value as unique. How could e-business contribute? The differentiator might use internet-based knowledge systems to shorten customer response times, provide rapid online responses to service requests, or automate purchasing and payment systems so that customers have detailed status reports and purchasing histories. Finally, because the focuser targets a narrow market segment with customized products, it might provide chat rooms or discussion boards for customers to interact with others who have common interests; design niche websites that target specific groups with specific interests, or use websites to perform standardized office functions such as payroll or budgeting. Research has shown that an important e-business strategy might be a clicks-and-bricks



strategy. A firm is one that uses both online (clicks) and traditional stand-alone locations (bricks).  
clicks-and-bricks

120) In a short essay, explain the term "first mover" and then identify the strategic advantages and disadvantages of being a first mover in the market.

Answer: An organization that's first to bring a product innovation to the market or to use a new process innovation is called a first mover. Some organizations pursue this route, hoping to develop a sustainable competitive advantage. Others have successfully developed a sustainable competitive advantage by being the followers in the industry. They let the first movers pioneer the innovations and then mimic their products or processes. Which approach managers choose depends on their organization's innovation philosophy and specific resources and capabilities. One strategic advantage of being a first mover is that the company gains a reputation for being innovative and an industry leader. Besides the obvious cost and learning benefits, the company can gain control over scarce resources and keep competitors from having access to them. The first mover also has the opportunity to begin building customer relationships and customer loyalty. One of the disadvantages of being a first mover is that the company is uncertain about the exact direction of the technology and of the market. Also, the company assumes financial and strategic risks. In addition, the first mover accepts the risk that competitors will imitate their innovations. Finally, first movers frequently have high development costs.

- 1) FALSE
- 2) FALSE
- 3) TRUE
- 4) FALSE
- 5) TRUE
- 6) TRUE
- 7) FALSE
- 8) FALSE
- 9) FALSE
- 10) TRUE
- 11) FALSE
- 12) TRUE
- 13) FALSE
- 14) FALSE
- 15) FALSE
- 16) TRUE
- 17) TRUE
- 18) TRUE
- 19) TRUE
- 20) FALSE
- 21) FALSE
- 22) C
- 23) B
- 24) D
- 25) A
- 26) B
- 27) B
- 28) C
- 29) D
- 30) B
- 31) B
- 32) C
- 33) A
- 34) B
- 35) C
- 36) A
- 37) A
- 38) A
- 39) B
- 40) C
- 41) C
- 42) B
- 43) A
- 44) B
- 45) D
- 46) D
- 47) D
- 48) D
- 49) A
- 50) D
- 51) A

- 52) D
- 53) B
- 54) A
- 55) D
- 56) A
- 57) B
- 58) A
- 59) A
- 60) B
- 61) C
- 62) A
- 63) A
- 64) C
- 65) A
- 66) C
- 67) D
- 68) A
- 69) B
- 70) A
- 71) A
- 72) B
- 73) D
- 74) C
- 75) B
- 76) A
- 77) A
- 78) B
- 79) C
- 80) D
- 81) D
- 82) B
- 83) B
- 84) A
- 85) C
- 86) D
- 87) C
- 88) A
- 89) A
- 90) D
- 91) A
- 92) A
- 93) A
- 94) A
- 95) B
- 96) C
- 97) D
- 98) C
- 99) D
- 100) A
- 101) C
- 102) A
- 103) B

104) A

105) C

106) D

107) C

108) D

109) A

110) A

111) D

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