Contemporary Strategy Analysis **10e**

TEST BANK: CHAPTER 1

The Concept of Strategy

True or False Questions

1. Strategy is a unifying theme that gives coherence and direction to the actions and decisions of an organization.
[See p.4]
a. T*
b. F

2. The successful careers of both Queen Elizabeth II and Lady Gaga may be attributed to their commitment to systematic strategic planning
[See p.5]
a. T
b. F*

3. A key component of an effective strategy is clear, consistent, long-term goals.
[See pp.5-6]
*a. T
b. F

4. If a firm can devise a brilliant strategy, it will be successful irrespective of how effectively it is implemented.
[See p.5]
a. T
*b. F

5. A major problem of using SWOT analyses in distinguishing strengths from weaknesses and opportunities from threats.
[See p.10]
*a. T
b. F

6. "Strategic fit" refers to the consistency between a firm's strategy and, on one hand, its external environment and, on the other, its internal resources and capabilities.
[See p.10]
*a. T
b. F

7. Contingency theory postulates that a firm's strategy must to flexible in order to meet any possible contingency.
[See pp.10-11]
a. T
*b. F

8. Strategy denotes an overall plan whereas a tactic is a scheme for a specific action.
[See p.11]
*a. T
b. F

9. The principles of military strategy are rarely applicable to business situations.

[See pp.11-12]
a. T
*b. F

10. Strategic decisions are important, involve a significant commitment of resources, and should be easily reversible.
[See p.11]
a. T
*b. F

11. Game theory is a useful for studying competitive behavior in politics, military campaigns and international relations, but it cannot be used to analyze business strategies.
[See p.12]
a. T
*b. F

12. The main factor causing the transition from corporate planning to strategic management was the increasing inability of companies to forecast economic conditions four or five years into the future.
[See p.12]
*a. T
b. F

13. Strategy is a detailed plan that programs the actions of an organization or an individual.
[See pp.14-15]
a. T
*b. F

14. Strategic choices involve two basic questions: *where* and *how* to compete?
[See p.18]
*a. T
b. F

15. In the large, complex firm, two main levels of strategy can be distinguished: corporate strategy and business (or competitive) strategy.
[See pp.18-19]
*a. T
b. F

16. When describing the strategy of a firm, it is best to ignore the current positioning of the firm in order to concentrate upon the direction in which the firm will develop in the future.
[See pp.19-20]
a. T
*b. F

17. The reason that a firm’s realized strategy diverges from its intended strategy is because strategy making is, to a great extent, an emergent process.
[See pp.20-21]
*a. T
b. F

18. According to Henry Mintzberg, firm strategy should be formulated by top management through rational deliberation utilizing all available data.
[See p.21]
a. T
*b. F

19. The dynamic, future-oriented dimension of a firm’s strategy is described by its

mission and vision statements and its performance targets.
[See p.21]
*a. T
b. F

20. The balance between intended and emergent strategy depends primarily upon the stability and predictability of the organization’s business environment. The more stable and predictable the environment, the greater the importance of emergent strategy.
[See p.23]
a. T
*b. F

21. Applying the tools of strategy analysis to not-for-profit organizations is simplified by the fact that they do not need to be concerned with maximizing profit.
[See p.27]
a. T
*b. F

Multiple Choice Questions

1. The primary purpose of strategy is:
[See p.4]
a. To maximize shareholder value
*b. To achieve success
c. To ensure that all stakeholders benefit from the value created by the firm
d. To be a responsible corporate citizen

2. The successful careers of both Queen Elizabeth II and Lady Gaga may be attributed to the fact that both:
[See pp.4-8]
a. Have used dressing up as a means of attracting attention and establishing identity
b. Have a knack for being in the right place at the right time
*c. Have a consistency of direction based on clear goals
d. Have built a loyal fan base based on astute use of the media.

3. For both individuals and businesses, successful strategies are characterized by:
[See p.5]
a. Unrelenting commitment to ambitious goals
*b. Clear goals, understanding their competitive environment, awareness of internal strengths and weaknesses, and effective implementation
c. Meticulous planning
d. Possessing superior resources that are deployed to build competitive advantage.

4. Strategic goals should be:
[See pp.5-9]
a. Simple
b. Consistent
c. Long term
*d. All of the above

5. The main problem of SWOT as a framework for strategy analysis is that:
[See p.10]
*a. Distinguishing opportunities from threats and strengths from weaknesses is often difficult
b. It has now been superseded by more sophisticated analytical frameworks
c. It is focused on strategy formulation and fails to take account of strategy implementation

d. It is so widely used that it no longer has any novelty.

6. Strategic fit refers to:
[See p.10]
a. The need for a firm's strategy to be consistent with its vision, mission, and culture
*b. The consistency of a firm's strategy with its external and internal environments
c. The need for a firm's strategy to be unique
d. The need for a firm's strategy to fit the needs of all its stakeholders, not just shareholders

7. A conceptualization the firm as an "activity system" is a means of depicting:
[See pp.10-11]
a. How a firm's strategy should be implemented
b. The extent to which a firm's resources and capabilities are aligned with its strategic goals
c. The extent to which a firm's strategic goals are aligned with its industry environment
*d. The components of a firm's strategy and consistency with which they fit together

8. Ryanair's strategic position is as Europe's lowest-cost airline may be attributed to:
[See p.11]
a. The willingness of its CEO, Michael O'Leary, to challenge conventional notions of customer and employee satisfaction
b. Its use of secondary airports where costs are lower
c. The high operating costs of major airlines such as British Airways, Lufthansa, and Air France-KLM on short-haul routes
*d. An integrated, consistent set of activities designed to maximize productivity and minimize operating costs

9. The principal similarity between business and military strategy is that:
[See p.12]
a. They share the same objective: to annihilate rivals
*b. They share common concepts and principles
c. The nature of leadership is much the same whether in a military or business context
d. They are both concerned with tactical maneuvers to establish positions of advantage.

10. Military strategy and business strategy differ in that:
[See p.12]
a. There is no concept like tactics in business
b. Military strategy can only be learned through field experience; business strategy can be developed through analytical frameworks
*c. The objective of military strategy is to defeat the enemy; most business strategies seek coexistence rather than annihilation
d. None - there is no conceptual difference

11. The book that is considered as the first treatise on strategy is:
[See p.11]
a. Carl Von Clausewitz's "On War" ("Vom Kriege")
b. Sun Tzu's "The Art of War"*
c. The Bible
d. Niccolo Machiavelli's "The Art of War" ("Dell'arte della Guerra")

12. Strategic decisions are those decisions that are:
[See p.12]
*a. Important, commit resources, and are irreversible
b. Long term
c. Are confined to the senior executives of an organization
d. Concerned with establishing competitive advantage

13. The main reason for the transition from corporate planning to strategic management during the late 1970s and 1980s was:

[See p.12]
a. The increasing costs of corporate planning departments
b. Disappointing outcomes of corporate diversification
*c. A more turbulent business environment that was increasingly difficult to predict
d. Growing disillusionment with central planning.

14. Between the 1980sand 1990s the emphasis of strategic analysis shifted from:
[See p.13]
a. Corporate strategy to business strategy
*b. Industry analysis to resource and capability analysis
c. Forecasting macro trends to understanding technological change
d. Generic strategies to strategic differentiation

15. In the late 1970s and early 1980s, Michael Porter pioneered:
[See pp.12-13]
*a. The application of industrial organization economics to strategic management
b. Empirical research into the relationship between market share and firm profitability
c. The resource-based view of the firm
d. The application of game theory to competitive analysis

16. During the 21st century, the complexity of the challenges posed by disruptive, digital technologies and accelerating rates of change have encouraged companies to:
[See p.13]
a. Shift their strategic focus towards the growth markets of Asia, Africa, and Latin America.
b. Rejecting shareholder value maximization in favor of maximizing stakeholder interests
*c. Depend increasingly upon strategic alliances and other forms of collaboration
d. Prefer mergers and acquisitions to organic growth.

17. The more turbulent a firm's external environment, the more must its strategy:
[See p.14]
a. Be formulated top-down rather than bottom-up
*b. Be about direction rather than specific plans
c. Emphasize innovation
d. Rely upon inputs from external consultants

18. When a firm's external environment becomes more turbulent and unpredictable:
[See pp.13-14]
*a. Strategy becomes an increasingly important in providing direction for the business
b. Strategy becomes based upon intuition rather than analysis
c. Cost cutting becomes a dominant priority
d. Strategy becomes an impossible exercise

19. A description of a company's organizational purpose is called a:
[See p.16]
a. Vision statement
b. Values statement
*c. Mission statement
d. All the above

20. The primary distinction between corporate strategy and business strategy is:
[See p.18]
a. Corporate strategy is the responsibility of the CEO, business strategy is formulated by the heads of business units
*b. Corporate strategy is concerned with where the firm competes; business strategy with how it competes in particular markets
c. Corporate strategy is concerned with establishing competitive advantage; business strategy with strategy implementation in individual businesses

d. Corporate strategy is concerned with the long-term performance of the firm; business strategy with resource deployment.

21. Strategy assists the quality of strategic decision making by:
[See p.15]
a. Expanding the range of decision alternatives under consideration
b. Ensuring that strategic decisions are restricted to senior executives who possess the most relevant knowledge
*c. Facilitating the use of analytical tools
d. All of the above

22. Which of the following is <u>not</u> one of the ways in which a systematic, strategy-making process improves an organization's decision making:
[See pp.15-16]
a. Reducing the number of choices being considered
b. Integrating and pooling the knowledge of different members of the organization
c. Facilitating the use of analytic tools
*d. Providing algorithms that generate optimal solutions to strategic problems

23. The two questions of "where" and "how" to compete define:
[See p18]
*a. A firm's corporate and business strategies
b. A firm's strategic management process
c. A firm's vision and mission
d. A firm's values and culture

24. When identifying a company's strategy, its statements of a strategy found in its public documents need to be:
[See pp.17-18]
a. Treated with skepticism
*b. Checked against the company's decisions and actions
c. Interpreted using modern techniques of textual analysis
d. Checked against its statements of vision and mission

25. Business strategy defines:
[See p.14]
*a. How a firm competes in a particular industry or market
b. Which industries or markets a firm chooses to compete in
c. Both of the above
d. Neither of the above

26. The principal temporal challenge of that strategic management faces is:
[See p.19]
a. The need to match internal organizational change with the rate of change in the external environment
*b. The need to compete for today while preparing for the future
c. The need to keep abreast of technological change
d. Increasing responsiveness and innovation

27. The relationship between design and emergence in strategy making is best described as:
[See pp.20-21]
a. An interactive process between strategic planners and line managers
b. A tension between the forces of centralization and decentralization
*c. A process in which intended strategy is adapted as it is implemented
d. An example of the agency problem in which the interests of salaried managers displace the interests of owners

29. The extent to which an organization's strategy is determined by decentralized emergence rather than by centralized design depends mainly upon:

[See pp.21-22]
*a. How turbulent and unpredictable is the external environment of the organization
b. How the organization is structured
c. The commitment of the organization to experimentation
d. Whether the organization has a formalized process of strategic planning.

30. The main value of analytical approaches to strategy formulation is:
[See pp.22-23]
a. To identify the optimal strategy that a firm should adopt
*b. To provide understanding of strategic issues
c. To substitute for manager's intuition and creativity
d. To ensure that strategic decision making is assigned to the capable people within the organization

31. The applicability of the tools and techniques of strategy analysis to not-for-profit organizations is:
[See p.26-28]
*a. Greater for organizations that face competition than those that do not
b. Greater for organizations that charge for their services than those which do not
c. Greater for organizations that compete to for funding than those which compete for customers.
d. Is severely limited by the lack of a profit motive

32. For charities and other not-for-profit organizations that supply goods and services for free, the most important focus for strategy making tends to be:
a. Competing in the market for finance from donors and other sources
b. Competing with other organizations seeking to supply similar goods or services to the same consumers
c. Establishing internal consensus around organizational goals
d. Managing relations with government and regulatory bodies.