

## Chapter Two: Strategy

### Multiple Choice

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

<b>Answer:</b>	d
<b>Difficulty:</b>	moderate
<b>Page:</b>	18

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

<b>Answer:</b>	b
<b>Difficulty:</b>	easy
<b>Page:</b>	18

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

<b>Answer:</b>	b
<b>Difficulty:</b>	easy
<b>Page:</b>	18

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

<b>Answer:</b>	b
<b>Difficulty:</b>	easy
<b>Page:</b>	21

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

<b>Answer:</b>	c
<b>Difficulty:</b>	moderate
<b>Page:</b>	20

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

<b>Answer:</b>	c
<b>Difficulty:</b>	moderate
<b>Page:</b>	22-23

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

<b>Answer:</b>	a
<b>Difficulty:</b>	moderate
<b>Page:</b>	23

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

<b>Answer:</b>	c
<b>Difficulty:</b>	moderate
<b>Page:</b>	24

<b>MC 2-9</b>	What type of strategy presents new products to existing markets?
<b>a.</b>	market penetration
<b>b.</b>	harvest
<b>c.</b>	diversification
<b>d.</b>	product development

<b>Answer:</b>	d
<b>Difficulty:</b>	moderate
<b>Page:</b>	24

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

<b>Answer:</b>	b
<b>Difficulty:</b>	easy
<b>Page:</b>	26

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

<b>Answer:</b>	a
<b>Difficulty:</b>	moderate
<b>Page:</b>	27

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

<b>Answer:</b>	b
<b>Difficulty:</b>	moderate
<b>Page:</b>	28

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

<b>Answer:</b>	c
<b>Difficulty:</b>	moderate
<b>Page:</b>	28

<b>MC 2-14</b>	A firm that focuses on image and design is competing on the basis of
<b>a.</b>	function
<b>b.</b>	fashion
<b>c.</b>	reliability
<b>d.</b>	features

<b>Answer:</b>	d
<b>Difficulty:</b>	moderate
<b>Page:</b>	28

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

<b>Answer:</b>	b
<b>Difficulty:</b>	easy
<b>Page:</b>	30

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

<b>Answer:</b>	d
<b>Difficulty:</b>	challenging
<b>Page:</b>	31

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

<b>Answer:</b>	d
<b>Difficulty:</b>	challenging
<b>Page:</b>	31

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

<b>Answer:</b>	a
<b>Difficulty:</b>	moderate
<b>Page:</b>	32

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

<b>Answer:</b>	a
<b>Difficulty:</b>	moderate
<b>Page:</b>	33

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

<b>Answer:</b>	d
<b>Difficulty:</b>	moderate
<b>Page:</b>	35

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

<b>Answer:</b>	c
<b>Difficulty:</b>	challenging
<b>Page:</b>	38

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

<b>Answer:</b>	d
<b>Difficulty:</b>	easy
<b>Page:</b>	39

<b>MC 2-23</b>	A corporate strategy of better than 70% of revenues from a single business unit is
<b>a.</b>	consolidation
<b>b.</b>	constrained business
<b>c.</b>	harvest
<b>d.</b>	dominant business unit

<b>Answer:</b>	d
<b>Difficulty:</b>	easy
<b>Page:</b>	40

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

<b>Answer:</b>	c
<b>Difficulty:</b>	easy
<b>Page:</b>	41

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

<b>Answer:</b>	d
<b>Difficulty:</b>	easy
<b>Page:</b>	41

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

<b>Answer:</b>	b
<b>Difficulty:</b>	easy
<b>Page:</b>	18

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

<b>Answer:</b>	b
<b>Difficulty:</b>	moderate
<b>Page:</b>	26

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

<b>Answer:</b>	d
<b>Difficulty:</b>	easy
<b>Page:</b>	28

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

<b>Answer:</b>	d
<b>Difficulty:</b>	challenging
<b>Page:</b>	42

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

<b>Answer:</b>	c
<b>Difficulty:</b>	moderate
<b>Page:</b>	41

### True/False

<b>TF 2-31</b>	Organizational strategy is about winning in the marketplace.
----------------	--

<b>Answer:</b>	t
<b>Difficulty:</b>	easy
<b>Page:</b>	17

<b>TF 2-32</b>	Every organization has an implied strategy.
----------------	---

<b>Answer:</b>	t
<b>Difficulty:</b>	easy
<b>Page:</b>	18

<b>TF 2-33</b>	10% annual growth is an example of an organizational goal.
----------------	--

<b>Answer:</b>	t
<b>Difficulty:</b>	moderate
<b>Page:</b>	18

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

<b>Answer:</b>	f
<b>Difficulty:</b>	easy
<b>Page:</b>	18

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

<b>Answer:</b>	f
<b>Difficulty:</b>	challenging
<b>Page:</b>	19

<b>TF 2-36</b>	Strategy can be used to set direction for the organization.
----------------	---

<b>Answer:</b>	t
<b>Difficulty:</b>	challenging
<b>Page:</b>	19

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

<b>Answer:</b>	f
<b>Difficulty:</b>	moderate
<b>Page:</b>	20

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

<b>Answer:</b>	t
<b>Difficulty:</b>	moderate
<b>Page:</b>	21

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

<b>Answer:</b>	t
<b>Difficulty:</b>	easy

<b>Page:</b>	21
--------------	----

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

<b>Answer:</b>	f
<b>Difficulty:</b>	challenging
<b>Page:</b>	22

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

<b>Answer:</b>	t
<b>Difficulty:</b>	moderate
<b>Page:</b>	23

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

<b>Answer:</b>	t
<b>Difficulty:</b>	easy
<b>Page:</b>	26

<b>TF 2-43</b>	Convenience is an example of a value proposition.
----------------	---

<b>Answer:</b>	t
<b>Difficulty:</b>	easy
<b>Page:</b>	28

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

<b>Answer:</b>	f
<b>Difficulty:</b>	moderate
<b>Page:</b>	29

<b>TF 2-45</b>	Operational effectiveness can generate sustained profitability for an organization.
----------------	---

<b>Answer:</b>	f
<b>Difficulty:</b>	moderate
<b>Page:</b>	37

<b>TF 2-46</b>	Corporate strategy focuses on creating a competitive advantage across industries.
----------------	---

<b>Answer:</b>	t
<b>Difficulty:</b>	moderate
<b>Page:</b>	39

<b>TF 2-47</b>	Business strategy focuses on creating a competitive advantage within an industry.
----------------	---

<b>Answer:</b>	t
<b>Difficulty:</b>	easy
<b>Page:</b>	39

**TF 2-48** | Functional strategy focuses on executing the business strategy.

<b>Answer:</b>	t
<b>Difficulty:</b>	easy
<b>Page:</b>	39

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

<b>Answer:</b>	t
<b>Difficulty:</b>	moderate
<b>Page:</b>	39

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

<b>Answer:</b>	t
<b>Difficulty:</b>	moderate
<b>Page:</b>	39

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

<b>Answer:</b>	f
<b>Difficulty:</b>	easy
<b>Page:</b>	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.

<b>Answer:</b>	t
<b>Difficulty:</b>	moderate
<b>Page:</b>	40

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

<b>Answer:</b>	t
<b>Difficulty:</b>	easy
<b>Page:</b>	40

**TF 2-54** | A conglomerate is an organization where the business units are highly integrated.

<b>Answer:</b>	f
<b>Difficulty:</b>	challenging
<b>Page:</b>	40

<b>TF 2-55</b>	In a highly diversified organization, there are numerous opportunities for the corporate office to add value.
----------------	---

<b>Answer:</b>	f
<b>Difficulty:</b>	challenging
<b>Page:</b>	41