

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

- 1) Which of the following is a correct description of the SWOT analysis? 1) \_\_\_\_\_
- A) A SWOT analysis summarises the opportunities and threats for an organisation.
  - B) A SWOT analysis summarises the key issues from the business environment and the strategic capability of a organisation.
  - C) A SWOT analysis avoids the need for evaluating strategic capability.
  - D) A SWOT analysis is a substitute for environmental and industry analysis.
  - E) A SWOT analysis summarises the strengths and weaknesses of an organisation.

Answer: B

- Explanation: A)  
B)  
C)  
D)  
E)

- 2) Which of the following statements best defines a barrier to entry? 2) \_\_\_\_\_
- A) A barrier to entry is anything that stops a firm not currently operating in an industry from joining that industry.
  - B) A barrier to entry is anything that stops an organisation from moving from one strategic group to another.
  - C) A barrier to entry is anything that stops a firm in the industry developing a new product for a market segment not currently served.
  - D) A barrier to entry is anything that makes an identified market segment unattractive to firms.

Answer: A

- Explanation: A)  
B)  
C)  
D)

- 3) Which two of the following are important issues that result from the concept of market segments? 3) \_\_\_\_\_
- A) Relative market share within a market segment is an important consideration.
  - B) Each market segment must be approached in a similar way to maintain product image.
  - C) Many market segments may exist since customer needs may vary for many reasons.
  - D) No organisations should attempt to operate in more than six market segments.

Answer: A, C

- Explanation: A)  
B)  
C)  
D)

- 4) Which of the following is the key driver of global consolidation in the motor industry? 4) \_\_\_\_\_
- A) The desire to offer cars in every possible segment of the market
  - B) A desire on the part of executives to run the biggest firm in the industry
  - C) A need to achieve scale economies in the value chain to remain cost competitive
  - D) A fear of being left behind by rivals who are globalising

Answer: C

- Explanation: A)  
B)  
C)  
D)

- 5) Which of the following is not part of the analysis of the macroenvironment? 5) \_\_\_\_\_
- A) Competitors
  - B) Sociocultural factors
  - C) Economic factors
  - D) Technology
  - E) Politics

Answer: A

- Explanation: A)  
B)  
C)  
D)  
E)

- 6) Which of the following is not a typical example of critical success factors? 6) \_\_\_\_\_
- A) Effective distribution
  - B) Unit costs
  - C) Effective leadership
  - D) Price competitiveness
  - E) Product quality

Answer: C

- Explanation: A)  
B)  
C)  
D)  
E)

- 7) Which of the following is not an example of a strategic group? 7) \_\_\_\_\_
- A) Airlines
  - B) Luxury cars
  - C) Utility vehicles
  - D) Business computers
  - E) Supermarkets

Answer: A

- Explanation: A)  
B)  
C)  
D)  
E)

8) Why does external analysis usually start with the macro-environment and proceed to industry analysis? 8) \_\_\_\_\_

- A) Because knowledge of the wider environment facilitates a more grounded interpretation of the operating environment as the wider context shaping the industry is understood better.
- B) This is just a convention that has developed over time. It does not matter what order the analysis is done in.
- C) Because managers know about the operating environment already but need to study those issues they do not interact with on a daily basis such as PEST factors.
- D) Because it is important that the data on the operating environment data is very up-to-date so this should be collected last.

Answer: A

Explanation: A)  
B)  
C)  
D)

9) What is represented by the two E's in the PESTEL framework? Choose all that apply. 9) \_\_\_\_\_

- A) Efficiency
- B) Eco-environmental
- C) Effectiveness
- D) Economic
- E) Experience

Answer: B, D

Explanation: A)  
B)  
C)  
D)  
E)

10) At what level of analysis would you apply the PESTEL framework? 10) \_\_\_\_\_

- A) The firm level
- B) The industry level
- C) The competitor level
- D) The society level

Answer: D

Explanation: A)  
B)  
C)  
D)

11) Which of the following is studied as part of an organisation's macro-environmental analysis? 11) \_\_\_\_\_

- A) PESTEL issues
- B) Competitors
- C) Industry structure
- D) Market trends
- E) Internal sales data

Answer: A

Explanation: A)  
B)  
C)  
D)  
E)

12) Which of the following may identify organisations that form a strategic group? Choose all that apply. 12) \_\_\_\_\_

- A) They compete on similar bases.
- B) They are strategic business units within a single organisation.
- C) They have similar characteristics.
- D) They follow similar strategies.

Answer: A, C, D

Explanation: A)  
B)  
C)  
D)

13) Which of the following is not a key element in analysing an organisation's industry environment? 13) \_\_\_\_\_

- A) Value chain analysis
- B) Market analysis/segmentation
- C) Competitor profiling/benchmarking
- D) Demographic trends
- E) Porter's 'five forces' model

Answer: E

Explanation: A)  
B)  
C)  
D)  
E)

14) Which of the following are correct descriptions of Porter's 5 forces? Choose all that apply. 14) \_\_\_\_\_

- A) The threat of suppliers
- B) The power of suppliers
- C) The power of rivalry
- D) The threat of substitutes

Answer: B, D

Explanation: A)  
B)  
C)  
D)

15) What term is used for a plausible alternative views of how the business environment might develop in the future? 15) \_\_\_\_\_

- A) Value driver
- B) Scenario
- C) Strategic option
- D) Pestelate

Answer: B

Explanation: A)  
B)  
C)  
D)

- 16) Why is it important to undertake macroenvironmental analysis when the micro-environment has more impact on day-to-day operations? 16) \_\_\_\_\_
- A) Because the macro and micro analyses are two key parts of the overall analysis and you would have an incomplete analysis otherwise.
  - B) Because understanding trends in PESTEL factors enables an organisation to anticipate changes, threats and opportunities arising in the operating environment.
  - C) Because managers ought to be aware of the current affairs issues represented by PESTEL factors.
  - D) Because changes in the macroenvironment are barriers to the daily operations of the organisation. That is why they are called PESTEL factors.

Answer: B

Explanation: A)  
B)  
C)  
D)

- 17) Which two options correctly complete the sentence: 'Critical success factors are those product features... 17) \_\_\_\_\_
- A) that enable suppliers to maximise their profit.'
  - B) where the organisation must excel to outperform competition.'
  - C) which act to deter competitors.'
  - D) that are particularly valued by customers.'

Answer: B, D

Explanation: A)  
B)  
C)  
D)

- 18) Which of the following is not an insight derived from using the five forces model? 18) \_\_\_\_\_
- A) It clearly identifies the opportunities and threats from the business's industry environment.
  - B) It provides understanding of the relative cost positions of rivals, suppliers and customers.
  - C) Understanding of the link between competitive rivalry and the potential profitability of competitors in the industry.
  - D) It explains and predicts the industry structure. Industry structure refers to the number of players in an industry and the concentration of supply.

Answer: B

Explanation: A)  
B)  
C)  
D)

- 19) Which of the following affects the bargaining power of customers? 19) \_\_\_\_\_
- A) Rates of technological innovation
  - B) The growth rate of the market
  - C) Supplier switching costs for firms in the industry
  - D) The number of customers and the volume of their purchases

Answer: D

Explanation: A)  
B)  
C)  
D)

20) Which of the following is not an example of a strategic gap as defined by Kim and Mauborgne? 20) \_\_\_\_\_  
A) Opportunities in substitute industries  
B) Opportunities in the chain of buyers  
C) Opportunities to improve cost efficiency  
D) Opportunities for complementary products and services

Answer: C

Explanation: A)  
B)  
C)  
D)

21) Which of the following is not an example of a barrier to entry? 21) \_\_\_\_\_  
A) Low switching costs  
B) Capital costs  
C) High switching costs  
D) Access to distribution  
E) Intellectual property rights

Answer: A

Explanation: A)  
B)  
C)  
D)  
E)

22) Which approach would you use if you wanted to identify the attractiveness of an industry or sector in terms of competitive forces? 22) \_\_\_\_\_  
A) SWOT  
B) Porter's 5 forces  
C) Porter's diamond  
D) PESTEL

Answer: B

Explanation: A)  
B)  
C)  
D)

23) What is a critical success factor? 23) \_\_\_\_\_  
A) These are the critical elements of a strategy that must be tightly controlled to ensure the organisation makes a profit.  
B) These are the key things the organisation must be able to do to meet customer needs and match competitor offerings in a given environment.  
C) These are the key things that attract praise and positive comments from industry analysts.  
D) These are key elements of an organisations strategy that made if successful.

Answer: B

Explanation: A)  
B)  
C)  
D)

- 24) What are 'critical success factors'? 24) \_\_\_\_\_
- A) They are the competencies that enable an organisation to outperform others in the same environment.
  - B) They represent the secrets of success that an organisation tries to hide from rivals.
  - C) They are the organisations major strengths, deriving from the way it deploys its resources.
  - D) They are those product features that are particularly valued by customers and where the organisation must excel to outperform competition.

Answer: D

Explanation: A)  
B)  
C)  
D)

- 25) The bargaining power of suppliers depends on which of the following? 25) \_\_\_\_\_
- A) The uniqueness and scarcity of the resource that suppliers provide
  - B) Capital costs
  - C) The profitability of the industry
  - D) Value for money
  - E) Low switching costs

Answer: A

Explanation: A)  
B)  
C)  
D)  
E)

- 26) Which of the following is not a key focus of industry analysis? 26) \_\_\_\_\_
- A) Market segmentation
  - B) Competitors
  - C) Industry structure analysis
  - D) Monetary policy

Answer: D

Explanation: A)  
B)  
C)  
D)

- 27) Which of the following is not a way in which governments contribute to globalisation? 27) \_\_\_\_\_
- A) Common marketing regulations
  - B) Helping with host government concerns
  - C) Compatible technical standards
  - D) Favourable trade policies
  - E) Erecting trade barriers

Answer: E

Explanation: A)  
B)  
C)  
D)  
E)

28) At what level should the PESTEL framework be applied when analysing a given environment? 28) \_\_\_\_\_  
A) The firm level B) The industry level  
C) The society level D) The market level

Answer: C

Explanation: A)  
B)  
C)  
D)

29) Which of the following is an example of a social issue from the PEST analysis? 29) \_\_\_\_\_  
A) Development of 3G phones  
B) China joins the WTO  
C) Rising demand for pre-school nursery places  
D) Rise in interest rates

Answer: C

Explanation: A)  
B)  
C)  
D)

30) Which one of the following do you think is not a reason why it is important for businesses to study technology trends as part of the PEST analysis? 30) \_\_\_\_\_  
A) Technological innovation can provide new ways of distributing products.  
B) New technologies create new market opportunities.  
C) New technology can reduce costs.  
D) Technological innovation leads to discontinuous change in industries.  
E) Technological innovation has to be effectively managed in an organisation.

Answer: E

Explanation: A)  
B)  
C)  
D)  
E)

31) Which of the following is not one of the conditions that encourage the oil industry to use scenarios when planning strategy? 31) \_\_\_\_\_  
A) The number of competitors is particularly large.  
B) There is a limited number of key drivers.  
C) Outcomes vary radically depending on the option chosen.  
D) Plans are hard to reverse in adverse circumstances.  
E) Organisations have to make substantial commitments into the future.

Answer: A

Explanation: A)  
B)  
C)  
D)  
E)



32) How often should an organisation carry out macroenvironmental and industry analysis? 32) \_\_\_\_\_  
A) Every five years, to coincide with a five-year planning cycle  
B) Annually, as part of its operational review process  
C) Every 1 to 3 years  
D) Continuously

Answer: D

Explanation: A)  
B)  
C)  
D)

33) Which of the following five forces is/are most important during the decline stage of an industry life cycle? 33) \_\_\_\_\_  
A) Threat of entry  
B) Rivalry  
C) Power of customers  
D) Power of suppliers

Answer: B

Explanation: A)  
B)  
C)  
D)

34) What do you understand by the terms critical success factors? 34) \_\_\_\_\_  
A) These are the critical elements of a strategy that must be tightly controlled to ensure the organisation makes a profit.  
B) These are key elements of an organisation's strategy that made it successful.  
C) These are the key things the organisation must be able to do to meet customer needs and match competitor offerings in a given environment.  
D) These are the key things that attract praise and positive comments from industry analysts.

Answer: C

Explanation: A)  
B)  
C)  
D)

35) Which of the following issues is not likely to increase the competitive intensity in an industry? 35) \_\_\_\_\_  
A) The company has powerful suppliers.  
B) There is a high threat of new entrants.  
C) The company has powerful buyers.  
D) There is a low threat of new entrants.

Answer: D

Explanation: A)  
B)  
C)  
D)

- 36) Which of the following should you consider in segmenting the market? 36) \_\_\_\_\_
- A) Organisational core competences
  - B) Organisational resources
  - C) Customer needs
  - D) Competitor needs
  - E) Supplier needs

Answer: C

- Explanation: A)  
B)  
C)  
D)  
E)

- 37) Which of the following is not a common criticism of the five forces model? 37) \_\_\_\_\_
- A) The model doesn't provide an insight into macro-environmental factors that shape the industry context.
  - B) The model assumes business environments are characterised by competitive rather than co-operative relations between firms and between firms and their suppliers and customers.
  - C) It is more appropriate for analysing manufacturing rather than service sectors, where suppliers are less of an issue.
  - D) The model is essentially designed to evaluate private sector competitive environments and is not really appropriate for the not-for-profit sector.
  - E) The model is often criticised for providing only a snapshot of the industry at a point in time, i.e. it is too static.

Answer: A

- Explanation: A)  
B)  
C)  
D)  
E)

- 38) Which of the following are identified as a result of external analysis? 38) \_\_\_\_\_
- A) Core competencies
  - B) Threats and opportunities
  - C) Competitive advantages
  - D) Strengths and weaknesses

Answer: B

- Explanation: A)  
B)  
C)  
D)

- 39) The differential impact of environmental drivers means: (Select one answer only) 39) \_\_\_\_\_
- A) Competitors in an industry need to pursue different strategies.
  - B) Some organisations are more competent than others.
  - C) The same environmental changes will be an opportunity for some strategies and a threat to other strategies.
  - D) The same environmental changes will be an opportunity for some organisations and a threat to others.

Answer: C

- Explanation: A)  
B)  
C)  
D)

40) Which of the following are not determinants of national advantage (Porter's diamond)? 40) \_\_\_\_\_  
A) Related and supporting industries  
B) Competitive rivalry  
C) Firm strategy, structure and rivalry  
D) Demand conditions  
E) Factor conditions

Answer: B

Explanation: A)  
B)  
C)  
D)  
E)

41) Which of the following is not a consequence of globalisation? 41) \_\_\_\_\_  
A) Ability to mass produce products at low cost for large markets  
B) Ability of businesses to co-ordinate their activities on a worldwide basis  
C) Ability to transport people, materials and products around the world  
D) Convergence in consumer tastes in certain markets  
E) Greater prosperity in less developed countries

Answer: E

Explanation: A)  
B)  
C)  
D)  
E)

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

42) Porter's 5 forces analysis helps us to understand the process of competition over time. 42) \_\_\_\_\_  
Answer: True  False   
Explanation:

43) The macro-environment (or 'far' external environment) comprises those influences from within the organisation's industry environment. 43) \_\_\_\_\_  
Answer: True  False   
Explanation:

44) A scenario is a guess about the future. 44) \_\_\_\_\_  
Answer: True  False   
Explanation:

45) Barriers to entry are factors that must be overcome by existing competitors if they are to continue to compete successfully. 45) \_\_\_\_\_  
Answer: True  False   
Explanation:

46) Yip describes the key drivers of globalisation as market globalisation, cost globalisation, globalisation of competition and globalisation of suppliers. 46) \_\_\_\_\_  
Answer: True  False   
Explanation:

- 47) PEST and Porter's 5 forces analysis should be applied to one organisation. 47) \_\_\_\_\_  
Answer: True  False  
Explanation:
- 48) Porter's 5 forces analyses the macroenvironment. 48) \_\_\_\_\_  
Answer: True  False  
Explanation:
- 49) PEST and Porter's 5 forces analysis are not connected with each other. 49) \_\_\_\_\_  
Answer: True  False  
Explanation:
- 50) A strategic group is a sub-set of consumers with shared characteristics. 50) \_\_\_\_\_  
Answer: True  False  
Explanation:

Answer Key  
Testname: C2

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