

Ch1-2

Business, Strategic Management



1. Well-stated objectives are:

A. quantifiable or measurable, and contain deadlines for achievement.

B. clear, succinct, and concise so as to identify the company's risk and return options.

C. historical probability of success determinants in meeting customer-product goals.

D. directly related to the dividend payout ratio for stockholder returns.

E. All of these. A. quantifiable or measurable, and contain deadlines for achievement. 2. Strategy is about competing differently than rivals, thus strategy success is about:

A. the sources of sustained advantages and superior profitability.

B. those emergent, unplanned, reactive, and adaptive strategies that are more appropriate than deliberate or intended ones that drive the realized strategy.

C. matching internal resources and capabilities to the industry environment.

D. keeping the firm current with the rapid pace of change in the industry.

E. All of these. E. All of these. 3. The heart and soul of a company's strategy-making effort:

A. is figuring out how to become the industry's low-cost provider.

B. is figuring out how to maximize the profits and shareholder value.

C. concerns how to improve the efficiency of its business model.

D. deals with how management plans to maximize profits while simultaneously operating in a socially responsible manner that keeps the company's prices as low as possible.

E. involves coming up with moves and actions that produce a durable

competitive edge over rivals. E. involves coming up with moves and actions that produce a durable competitive edge over rivals. 4. Business strategy concerns:

A. how to gain and sustain a competitive advantage for a single line of business.

B. defining what set of businesses to be in and why.

C. selecting a business model to use in pursuing business objectives.

D. selecting a set of stretch financial and strategic objectives for a particular line of business.

E. choosing the most appropriate strategic intent for a specific line of business. A. how to gain and sustain a competitive advantage for a single

line of business. 5. A company's strategy consists of the action plan management is taking to:

A. grow the business, stake out a market position, attract and please customers, compete successfully, conduct operations, and achieve performance objectives.

B. compete against rivals and establish a sustainable competitive advantage.

C. make its product offering more distinctive and appealing to buyers.

D. develop a more appealing business model than rivals.

E. identify its strategic vision, its strategic objectives, and its strategic intent.

A. grow the business, stake out a market position, attract and please customers, compete successfully, conduct operations, and achieve

performance objectives. 6. A company's mission statement typically addresses which of the following questions?

- A. Who are we and what do we do?
 - B. What objectives and level of performance do we want to achieve?
 - C. Where are we going and what should our strategy be?
 - D. What approach should we take to achieve sustainable competitive advantage?
 - E. What business model should we employ to achieve our objectives and our vision?
- A. Who are we and what do we do? 7. A company's strategies stand a better chance of succeeding when:
- A. it is developed through a collaborative process involving all managers and staff from all levels of the organization.
 - B. managers employ conservative strategic moves based on past experience and form an underlying basis of control.
 - C. it is predicated on competitive moves aimed at appealing to buyers in ways that set the company apart from rivals.
 - D. managers copy the strategic moves of successful companies in its industry.
 - E. managers focus on meeting or beating shareholder expectations.
- C. it is predicated on competitive moves aimed at appealing to buyers in ways that set the company apart from rivals. 8. Excellent execution of an excellent strategy is:
- A. the best test of managerial excellence and the best recipe for making a company a standout performer.
 - B. a solid indication that managers are maximizing profits and looking out for the best interests of shareholders.
 - C. the best test of whether a company is a " true" industry leader.

D. the best evidence that managers have a winning business model.
E. the best test of whether a company enjoys sustainable competitive advantage. A. the best test of managerial excellence and the best recipe for making a company a standout performer. 9. Managers must be prepared to modify their strategy in response to:

A. changing circumstances that affect performance and their desire to improve the current strategy.

B. competitor moves in the market and shifting needs of buyers.

C. stagnating market and restrictive industrial opportunities.

D. mounting evidence that the strategy is less effective.

E. All of these. E. All of these. 10. Business strategy, as distinct from corporate strategy, is chiefly concerned with:

A. deciding what new businesses to enter, which existing businesses to get out of, and which existing business to remain in.

B. deciding how to build competitive advantage and improve performance in a particular line of business.

C. making sure the strategic intent of a particular business is in step with the company's overall strategic intent and strategy.

D. coordinating the competitive approaches of a company's different business units.

E. what business model to employ in each of the company's different businesses. B. deciding how to build competitive advantage and improve performance in a particular line of business. 11. Which of the following tasks of the strategy-making, strategy-execution managerial process make up the company's strategic plan?

- A. Developing a strategic vision, mission, and core values.
- B. Executing the strategy.
- C. Monitoring developments, evaluating performance, and initiating corrective adjustments.
- D. All of these.
- E. None of these.
- D. All of these.
12. Crafting and executing strategy are top-priority managerial tasks because:
- A. they are necessary ingredients of a sound business model.
- B. good strategy coupled with good strategy execution are the most telling signs of good management and greatly raises the chances that a company will be a standout performer in the marketplace.
- C. the management skills of top executives are sharpened as they work their way through the strategy-making, strategy-executing process.
- D. doing these tasks helps executives develop an appropriate strategic vision, strategic intent, and a set of strategic objectives.
- E. of the contribution they make to maximizing value for shareholders.
- B. good strategy coupled with good strategy execution are the most telling signs of good management and greatly raises the chances that a company will be a standout performer in the marketplace.
13. Which of the following is a frequently used strategic approach to setting a company apart from rivals and achieving a sustainable competitive advantage?
- A. Striving to be the industry's low-cost provider, thereby aiming for a product-based competitive advantage.
- B. Outcompeting rivals on the basis of such differentiating features as same quality, narrower product selection, or same value for themoney.

C. Developing a best-cost provider strategy that gives the company competitive capabilities so that rivals can easily imitate with capabilities of their own to even the playing field.

D. Focusing on a narrow market niche and winning a competitive edge by doing a better job than rivals of serving the special needs and tastes of buyers comprising the niche.

E. All of these. D. Focusing on a narrow market niche and winning a competitive edge by doing a better job than rivals of serving the special needs and tastes of buyers comprising the niche. 14. Which of the following statements about a company's strategy is true?

A. A company's strategy is mostly hidden to outside view and is deliberately kept under wraps by top-level managers (so as to catch rival companies by surprise when the strategy is launched).

B. A company's strategy is typically planned well in advance and usually deviates little from the planned set of actions and business approaches because of the risks of making on-the-spot changes.

C. A company's strategy generally changes very little over time unless a newly appointed CEO decides to take the company in a new direction with a new strategy.

D. A company's strategy is typically a blend of proactive and reactive strategy elements.

E. A company's strategy is developed mostly on the fly because of the constant efforts of managers to come up with fresh moves to keep the company's product offering clearly different and set apart from the product offerings of rival companies. D. A company's strategy is typically a blend of

proactive and reactive strategy elements. 15. A company's business model:

- A. zeros in on the customer value proposition and its related profit formula.
- B. is management's storyline for how the strategy will result in achieving the targeted strategic objectives.

- C. details the ethical and socially responsible nature of the company's strategy.

- D. explains how it intends to achieve high profit margins.

- E. sets forth the actions and approaches that it will employ to achieve marketleadership. A. zeros in on the customer value proposition and its

related profit formula. 16. A company should not couch its mission in terms of making a profit because a profit is more correctly:

- A. an obligation and a reason for what a company does.

- B. an objective and a result of what a company does.

- C. an outlay and a rationale for what a company does.

- D. an obligation and aresponsibilityfor what a company does.

- E. an outflow and a right of what a company does. B. an objective and a result of what a company does. 17. To improve performance, there are many

different avenues for outcompeting rivals such as:

- A. realizing a higher cost structure and lower operating profit margins than rivals in order to drive sales growth.

- B. achieving products analogous with competitors so as to be competitive in the same markets.

- C. pursuing similar personalized customer service or quality dimensions as rivals.

- D. confining their operations to local or regional markets or developing

product superiority or even concentrating on a narrow product lineup.

E. None of these. D. confining their operations to local or regional markets or developing product superiority or even concentrating on a narrow product lineup. 18. A strategic vision has enormous motivational value and can usually be stated adequately in one to two paragraphs, and managers should be able to personally:

A. explain the vision and its rationale to company personnel and outsiders easily in several hours.

B. present their vision and its rationale in a bland and uninspiring manner to ensure stakeholders of its seriousness.

C. paint a convincing and inspiring picture of the company's journey and destination effectively.

D. communicate and distribute the vision to interested parties and to top executives only.

E. None of these. C. paint a convincing and inspiring picture of the company's journey and destination effectively. 19. Masterful strategies come from:

A. successful managerial efforts to develop a sound strategic vision.

B. doing a very thorough job of strategic planning.

C. involving as many company personnel as possible in the strategy-making process.

D. crafting a strategy that mimics the best parts of the strategies of the industry leaders.

E. doing things differently from competitors where it counts—out-innovating them, being more efficient, adapting faster—rather than running with the

herd. E. doing things differently from competitors where it counts—out-innovating them, being more efficient, adapting faster—rather than running with the herd. 20. Which of the following is the best example of a well-stated financial objective?

- A. Increase earnings per share by 15 percent annually.
- B. Gradually boost market share from 10 percent to 15 percent over the next several years.
- C. Achieve lower costs than any other industry competitor.
- D. Boost revenues by a percentage margin greater than the industry average.
- E. Maximize total company profits and return on investment.

A. Increase earnings per share by 15 percent annually. 21. A company's strategy is most accurately defined as:

- A. management's approaches to building revenues, controlling costs and generating an attractive profit.
- B. the choices management has made regarding what financial plan to pursue.
- C. management's concept of " who we are, what we do, and where we are headed."
- D. the business model that a company's board of directors has approved for outcompeting rivals and making the company profitable.
- E. management's commitment to provide direction and guidance, in terms of not only what the company should do but also what it should not do. E. management's commitment to provide direction and guidance, in terms of not only what the company should do but also what it should not do. 22.

When trade-offs have to be made between achieving long-term and achieving short-term objectives:

- A. long-term objectives should take precedence unless the short-term performance targets have unique importance.
- B. long-term objectives should take precedence because of the need for future survival.
- C. short-term objectives should take precedence because they focus attention on delivering performance improvement.
- D. short-term objectives should take precedence unless the long-term performance targets are not achievable.
- E. All of these. A. long-term objectives should take precedence unless the short-term performance targets have unique importance.

23. A company's business model:

- A. sets forth management's game plan for maximizing profits for shareholders.
 - B. details exactly how management's strategy will result in the achievement of the company's strategic intent.
 - C. explains how it will achieve high profit margins while at the same time charging relatively low prices to customers.
 - D. sets forth the key components of the enterprise's business approach, indicates how revenues will be generated, and makes a case for why the strategy can deliver value to customers in a profitable manner.
 - E. sets forth management's long-term action plan for achieving market leadership.
- D. sets forth the key components of the enterprise's business approach, indicates how revenues will be generated, and makes a case for

why the strategy can deliver value to customers in a profitable manner. 24.

Well-conceived visions are _____ and _____ to a particular organization and they avoid generic, feel-good statements that could apply to hundreds of organizations.

- A. widespread; unique
- B. recurring; customary
- C. distinctive; specific
- D. customary; familiar

E. universal; established
25. A company achieves a competitive advantage when:

- A. it provides buyers with superior value compared to rival sellers or offers the same value at a lower cost.
- B. it has a profitable business model.
- C. it is able to maximize shareholder wealth.
- D. it is consistently able to achieve both its strategic and financial objectives.

E. its strategy and its business model are well-matched and in sync.
26. Which of the following is NOT among the principal managerial tasks associated with managing the strategy execution process?

- A. Ensuring that policies and procedures facilitate rather than impede effective execution.
- B. Creating a company culture and work climate conducive to successful strategy implementation and execution.

- C. Surveying employee's opinions on how costs can be reduced and how employee morale and job satisfaction can be improved.
- D. Exerting the internal leadership needed to drive implementation forward and keep improving on how the strategy is being executed.
- E. Motivating people and tying rewards and incentives directly to the achievement of performance objectives and good strategy execution.
- C. Surveying employee's opinions on how costs can be reduced and how employee morale and job satisfaction can be improved.
27. What is the foremost question in running a business enterprise?
- A. What must managers do, and do well, to make a company a winner in the marketplace?
- B. What can employees do, and do well, to ensure customer satisfaction?
- C. What can shareholders do, and do well, to ensure a profitable company?
- D. None of these.
- E. All of these.
- A. What must managers do, and do well, to make a company a winner in the marketplace?
28. Which one of the following questions can be used to distinguish a winning strategy from a mediocre or losing strategy?
- A. How good is the company's business model?
- B. Is the company a technology leader?
- C. Does the company have low prices in comparison to rivals?
- D. Is the company putting too little emphasis on behaving in an ethical and socially responsible manner?
- E. How well does the strategy fit the company's situation?
- E. How well does the strategy fit the company's situation?
29. Managerial jobs with strategy-

making responsibility:

A. extend throughout the managerial ranks and exist in every part of a company—business units, operating divisions, functional departments, manufacturing plants, and sales districts.

B. are primarily located in the strategic planning departments of large corporations.

C. are relatively rare because most strategy-making is done by the members of a company's board of directors.

D. seldom exist within a functional department (e. g., marketing and sales) or in an operating unit (a plant or a district office) because these levels of the organization structure are well below the level where strategic decisions are typically made.

E. are found only at the vice-president level and above in most companies. A. extend throughout the managerial ranks and exist in every part of a company—business units, operating divisions, functional departments, manufacturing plants, and sales districts. 30. The managerial task of

effectively conveying the essence of the strategic vision is made easier by:

A. having operating strategies that are easy for company personnel to understand and execute.

B. combining the strategic vision and the company's values statement into a single document.

C. adopting a catchy slogan and then using it repeatedly to illuminate the direction and purpose of " where we are headed and why."

D. waiting until the company realizes its mission and ensures the existing corporate culture is compatible with the new vision and direction.

E. All of these. C. adopting a catchy slogan and then using it repeatedly to illuminate the direction and purpose of " where we are headed and why." 31.

Which of the following is an integral part of the managerial process of crafting and executing strategy?

A. Developing a proven business model.

B. Deciding how much of the company's resources to employ in the pursuit of sustainable competitive advantage.

C. Setting objectives and using them as yardsticks for measuring the company's performance and progress.

D. Communicating the company's values and code of conduct to all employees.

E. Deciding on the company's strategic intent. C. Setting objectives and using them as yardsticks for measuring the company's performance and progress. 32. Every strategy needs:

A. a distinctive element that attracts customers and produces a competitive edge.

B. to include similar characteristics to rival company strategies.

C. to pursue conservative growth built on historical strengths.

D. to employ diverse and sundry operating practices for producing greater control over sales growth targets.

E. to mimic the plans of the industry's most successful companies. A. a distinctive element that attracts customers and produces a competitive edge. 33. The difference between the concept of a company mission statement and the concept of a strategic vision is that:

A. a mission concerns what to do to achieve short-term objectives, while a

strategic vision concerns what to do to achieve long-term performance targets.

B. the mission is to make a profit, whereas a strategic vision concerns what business model to employ in striving to make a profit.

C. a mission statement deals with what to accomplish on behalf of shareholders, while a strategic vision concerns what to accomplish on behalf of customers.

D. a mission statement typically concerns a company's purpose and its present business scope (" who we are and what we do and why we are here"), whereas the principal concern of a strategic vision portrays a company's aspirations for its future (" where are we going").

E. a mission statement deals with " where we are headed," whereas a strategic vision provides the critical answer to " how will we get there?" D. a mission statement typically concerns a company's purpose and its present business scope (" who we are and what we do and why we are here"), whereas the principal concern of a strategic vision portrays a company's aspirations for its future (" where are we going"). 34. Which of the following is NOT one of the managerial considerations in determining how to compete successfully?

A. How can a company attract, keep, and please customers?

B. How can the company modify its entire product line to emphasize their internal service attributes?

C. How should the company respond to changing economic and market conditions?

D. How should the company be competitive against rivals?

- E. How should the company position itself in the marketplace? B. How can the company modify its entire product line to emphasize their internal service attributes?
35. A company needs performance targets or objectives:
- A. to help guide managers in deciding what strategic path to take in the event that a strategic inflection point is encountered.
 - B. because they give the company clear-cut strategic intent.
 - C. in order to unify the company's strategic vision and business model.
 - D. for its operations as a whole and also for each of its separate businesses, product lines, functional departments, and individual work units.
 - E. in order to prevent lower-level organizational units from establishing their own objectives.
- B. because they give the company clear-cut strategic intent.
36. Which one of the following is NOT a characteristic of an effectively worded strategic vision statement?
- A. Directional (is forward-looking, describes the strategic course that management has charted that will help the company prepare for the future).
 - B. Easy to communicate (is explainable in 5-10 minutes, and can be reduced to a memorable slogan).
 - C. Graphic (paints a picture of the kind of company management is trying to create and the market position(s) the company is striving to stake out).
 - D. Consensus-driven (commits the company to a " mainstream" directional path that almost all stakeholders will enthusiastically support).
 - E. Focused (provides guidance to managers in making decisions and allocating resources).
- D. Consensus-driven (commits the company to a " mainstream" directional path that almost all stakeholders will enthusiastically support).
37. In crafting a company's strategy:

A. management's biggest challenge is how closely to mimic the strategies of successful companies in the industry.

B. managers have comparatively little freedom in choosing the "hows" of strategy.

C. managers are wise not to decide on concrete courses of action in order to preserve maximum strategic flexibility.

D. managers need to come up with a sustainable competitive advantage that draws in customers and produces a competitive edge over rivals.

E. managers are well-advised to be risk-averse and develop a "conservative" strategy—"dare-to-be-different" strategies rarely are successful. D.

managers need to come up with a sustainable competitive advantage that draws in customers and produces a competitive edge over rivals. 38.

Adapting to new conditions and constantly evaluating what is working and what needs to be improved are normal parts of the strategy-making process which result in:

A. a profitability-driven strategy.

B. a broad market entry strategy.

C. an evolving strategy.

D. unlimited revenue generation.

E. None of these. C. an evolving strategy. 39. Every corporation should have a strong independent board of directors that:

A. is well informed about the company's performance and exercises their fiduciary duty to protect shareholders responsibly.

B. guides management in choosing a strategic direction and to make independent judgments about the validity and wisdom of managements

proposed strategic actions.

C. evaluates the leadership skills of the CEO and other senior executives promote management actions the board believes are inappropriate or unduly risky.

D. has the courage to curb management actions deemed inappropriate or unduly risky, curtails insight and advice to management.

E. All of these. E. All of these. 40. A company's mission statement should be sufficiently descriptive and should:

A. identify the company's services and products.

B. specify the buyer's needs that the company seeks to satisfy.

C. identify the customer or market that the company intends to serve.

D. give the company its own identity.

E. All of these. E. All of these. 41. What separates a powerful strategy from a run-of-the-mill or ineffective one is:

A. the ability of the strategy to keep the company profitable.

B. the proven ability of the strategy to generate maximum profits.

C. the speed with which it helps the company achieve its strategic vision.

D. management's ability to forge a series of moves, both in the marketplace and internally, that sets the company apart from rivals, and produces sustainable competitive advantage.

E. whether it allows the company to maximize shareholder value in the shortest possible time. B. the proven ability of the strategy to generate maximum profits. 42. Which of the following are integral parts of the managerial process of crafting and executing strategy?

A. Developing a strategic vision, setting objectives, and crafting a strategy.

B. Developing a proven business model, deciding on the company's strategic intent, and crafting a strategy.

C. Setting objectives, crafting a strategy, implementing and executing the chosen strategy, and deciding how much of the company's resources to employ in the pursuit of sustainable competitive advantage.

D. Coming up with a statement of the company's mission and purpose, setting objectives, choosing what business approaches to employ, selecting a business model, and monitoring developments.

E. Deciding on the company's strategic intent, setting financial objectives, crafting a strategy, and choosing what business approaches and operating practices to employ. A. Developing a strategic vision, setting objectives, and crafting a strategy. 43. A company's strategic vision describes:

A. " who we are and what we do."

B. why the company does certain things in trying to please its customers.

C. management's storyline of how it intends to make a profit with the chosen strategy.

D. management's aspirations for the future and delineates the company's strategic course and long-term direction.

E. what future actions the enterprise will likely undertake to outmaneuver rivals and achieve a sustainable competitive advantage. D. management's aspirations for the future and delineates the company's strategic course and long-term direction. 44. The customer value proposition lays out the

company's approach to:

A. meeting profitability guidelines without the risk of losing customers.

B. operating efficiently given the current level of customers.

- C. embracing rival company approaches to gaining customers.
- D. satisfying buyer wants and needs at a price customers will consider a good value.
- E. None of these. D. satisfying buyer wants and needs at a price customers will consider a good value.
45. Which one of the following is NOT an accurate attribute of an organization's strategic vision?
- A. Providing a panoramic view of " where we are going".
- B. Outlining how the company intends to implement and execute its business model.
- C. Pointing an organization in a particular direction and charting a strategic path for it to follow.
- D. Helping mold an organization's character and identity.
- E. Describing the company's future product-market-customer-technology focus.
- B. Outlining how the company intends to implement and execute its business model.
46. Which one of the following is NOT among the chief duties/responsibilities of a company's board of directors insofar as the strategy-making, strategy-executing process is concerned?
- A. Hiring and firing senior-level executives and working with the company's chief strategic planning officer to improve the company's strategy when performance comes up short of expectations.
- B. Being inquiring critics and exercising strong oversight over the company's direction, strategy, and business approaches.
- C. Evaluating the caliber of senior executives' strategy-making/strategy-executing skills.
- D. Instituting a compensation plan for top executives that rewards them for

actions and results that serve stakeholders' interests, most especially those of shareholders.

E. Overseeing the company's financial accounting and financial reporting practices. B. Being inquiring critics and exercising strong oversight over the company's direction, strategy, and business approaches. 47. In the course of crafting a strategy, it is common for management to:

A. abandon certain strategy elements that have grown stale or become obsolete.

B. modify the current strategy when market and competitive conditions take an unexpected turn or some aspects of the company's strategy hit a stone wall.

C. modify the current strategy in response to the fresh strategic maneuvers of rival firms.

D. take proactive actions to improve this or that piece of the strategy.

E. All of these. E. All of these. 48. Which of the following is NOT a common shortcoming when wording a company's vision statement? When the statement is somewhat:

A. vague or incomplete—short on specifics.

B. flexible—allowing for adjustments to reflect changing circumstances.

C. bland or uninspiring—short on inspiration.

D. generic—could apply to most any company (or at least several others in the same industry).

E. reliant on superlatives (best, most successful, recognized leader, global or worldwide leader, first choice of customers). B. flexible—allowing for adjustments to reflect changing circumstances. 49. The difference between a

company's strategy and a company's business model is that:

A. a company's strategy is management's game plan for achieving strategic objectives while its business model is management's game plan for achieving financial objectives.

B. the strategy concerns how to compete successfully and the business model concerns how to operate efficiently.

C. a company's strategy is management's game plan for realizing the strategic vision, whereas a company's business model is the game plan for accomplishing the business purpose or mission.

D. strategy relates broadly to a company's competitive moves and business approaches while its business model relates to whether the revenues and costs flowing from the strategy demonstrate that the business is viable from the standpoint of being able to generate revenues sufficient to cover costs and realize a profit.

E. a company's strategy is concerned with how to please customers while its business model is concerned with how to please shareholders. A. a company's strategy is management's game plan for achieving strategic objectives while its business model is management's game plan for achieving financial objectives. 50. A winning strategy must pass which three tests?

A. The Dominant Market Test, the Sustainable Advantage Test, and the Profit Test.

B. The Fit Test, the Competitive Advantage Test, and the Performance Test.

C. The Sustainable Advantage Test, the Fit Test, and the Profit Test.

D. The Performance Test, the Dominant Market Test, and the Fit Test.

- E. The Fit Test, the Sustainable Advantage Test, and the Dominant Market Test. B. The Fit Test, the Competitive Advantage Test, and the Performance Test. 51. Company objectives:
- A. are needed only in those areas directly related to a company's short-term and long-term profitability.
 - B. need to be broken down into performance targets for each of its organizational levels—for separate businesses, product lines, functional departments, and individual work units.
 - C. play the important role of establishing the direction in which it needs to be headed.
 - D. are important because they help guide managers in deciding what the company's strategic intent should be.
 - E. should be set in a manner that does not conflict with the performance targets of lower-level organizational units. B. need to be broken down into performance targets for each of its organizational levels—for separate businesses, product lines, functional departments, and individual work units.