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Chapter 1: What Is Strategy?

## Test Bank

### Type: fill-in-blank

**Title:** Chapter 01 Question 01

1) There is agreement that the role of strategy is to achieve \_\_\_\_\_ for an organization.

**Feedback:** Competitive advantage is achieved by meeting consumers' needs better than competitors.

**A-head reference:** 1.2 Defining Strategy

a. Competitive advantage

### Type: fill-in-blank

**Title:** Chapter 01 Question 02

2) To be sustainable, competitive advantage must be difficult for competitors to \_\_\_\_\_.

**Feedback:** If competitive advantage is not sustainable, it will not enable the organization to survive in the medium to long term. Changes in the environment can also take away the basis of competitive advantage.

**A-head reference:** 1.2 Defining Strategy

a. imitate

### Type: multiple choice question

**Title:** Chapter 01 Question 03

3) Strategy involves matching an organization's resources to the environment. It also involves an understanding of the different relationships in which the organization is involved. These relationships are made up of:

a. Collaborators

**Feedback:** No, collaborations are where one or more organizations join together on a specific project to achieve mutual benefit. Collaborators would be classed as a stakeholder.

**A-head reference:** 1.2 Defining Strategy

\*b. Stakeholders

**Feedback:** Yes, stakeholders are any group or individual within or outside the organization that may care about and/or could influence the organization's strategy. Stakeholders include employees, customers, shareholders, suppliers, and many others depending on the situation.

**A-head reference:** 1.2 Defining Strategy

c. Competitors

**Feedback:** No, competitors are an aspect of the external environment.

**A-head reference:** 1.2 Defining Strategy

d. Shareholders

**Feedback:** No, shareholders are a stakeholder. There are different views on the level of priority that should be given to shareholders compared to other stakeholders.

**A-head reference:** 1.2 Defining Strategy

### Type: true-false

**Title:** Chapter 01 Question 04

4) Successful strategy is based on doing well what your competitors cannot do or cannot easily do.

**Feedback:** Successful strategy is based on organizational ability to recognize their distinctive capabilities; organizations can do better than others and compete in the markets which exploit these capabilities.

**A-head reference:** 1.2 Defining Strategy

a. True

\*b. False

### Type: multiple response question

**Title:** Chapter 01 Question 05

5) Factors in the general or macro environment include: Please select all that apply.

**Feedback:** The macro environment includes issues such as political change, economic changes, and social trends. These issues could affect all industries. Competitors and supplier relationships are specific to the competitive or industry environment.

**A-head reference:** 1.2.1 Using Strategy to Overcome Challenges

a. Competitors

\*b. Issues that could affect all industries

\*c. Issues that could affect customer demand

d. Supplier relationships

**Type: multiple choice question**

**Title:** Chapter 01 Question 06

6) The strategic management process involves three main phases. These are:

a. Strategy analysis, strategy formulation, strategy review

**Feedback:** No, strategies need to be implemented before they can be reviewed.

**A-head reference:** 1.3.3 Operational or Functional Strategy

b. Strategy formulation, strategy implementation, strategy review

**Feedback:** No, an analysis of environment, resources and stakeholders comes before strategy formulation. However, in reality strategies can emerge without any prior analysis.

**A-head reference:** 1.3.3 Operational or Functional Strategy

\*c. Strategy analysis, strategy formulation, strategy implementation

**Feedback:** Yes, these are the typical phases of the strategic management process, but it doesn't necessarily happen in these discrete stages in reality.

**A-head reference:** 1.3.3 Operational or Functional Strategy

d. Strategy analysis, strategy implementation, strategy review

**Feedback:** No, strategies need to be formulated before they can be implemented. Sometimes strategies can emerge with no obvious point where they were formulated.

**A-head reference:** 1.3.3 Operational or Functional Strategy

**Type: true-false**

**Title:** Chapter 01 Question 07

7) Strategy formulation is a conscious process that is based on the results of the strategy analysis.

a. True

**Feedback:** Incorrect. Strategy formulation can also be an unconscious and intuitive process.

**A-head reference:** 1.4.2 Strategy Formulation

\*b. False

**Feedback:** Correct. Strategy formulation can also be an unconscious and intuitive process.

**A-head reference:** 1.4.2 Strategy Formulation

**Type: fill-in-blank**

**Title:** Chapter 01 Question 08

8) When we ask the question 'why does the organization exist', we are trying to understand the \_\_\_\_\_ of the organization.

**Feedback:** The purpose of the organization is fundamental to strategy development. We need to understand who the organization is there to serve.

**A-head reference:** 1.4.3 Strategy Implementation

a. purpose

**Type: multiple response question**

**Title:** Chapter 01 Question 09

9) Effective implementation of strategies requires:

**Feedback:** Communication and coordination with stakeholders inside and outside the organization is the key for the successful implementation of strategy although it is the leader of the organization who is ultimately responsible for a strategy's success or failure.

**A-head reference:** 1.4.3 Strategy Implementation

\*a. Flexible organizational structure and design.

\*b. Proper coordination with stakeholders.

c. That all managers and the leaders of an organization will ultimately be responsible for a strategy's success or failure.

\*d. Empowerment of managers to respond to opportunities.

**Type: multiple choice question**

**Title:** Chapter 01 Question 10

**10)** A vision statement will usually express:

a. Why the organization exists

**Feedback:** No, this is expressed in the organization's mission statement.

**A-head reference:** 1.5.3 Mission

\*b. The aspirations of the organization

**Feedback:** Yes, this may be associated with the leader and will be looking to the future.

**A-head reference:** 1.5.2 Vision

c. What the organization believes

**Feedback:** No, this is expressed in the core values of the organization.

**A-head reference:** 1.5.1 Values

d. The values and purpose of the organization

**Feedback:** No, this is expressed in the core ideology of the organization.

**A-head reference:** 1.5.1 Values

**Type: fill-in-blank**

**Title:** Chapter 01 Question 11

**11)** An organization's \_\_\_\_\_ seeks to answer the question why an organization exists or "What business are we in?" as Peter Drucker argued.

**Feedback:** A mission statement can be defined as a way in which the organization communicates the business it is in to the outside world.

**A-head reference:** 1.5.3 Mission

a. mission

**Type: fill-in-blank**

**Title:** Chapter 01 Question 12

**12)** Jim Collins and Jerry Porras argue that the \_\_\_\_\_ of an organization do not change as competitive condition changes but remain largely unchanged.

**Feedback:** The core values are an organization's essential and enduring tenets, which will not be shifted with changing conditions.

**A-head reference:** 1.5.1 Values

a. core values

**Type: true-false**

**Title:** Chapter 01 Question 13

**13)** Mission could be expressed as employees' emotional commitment towards the organization.

**Feedback:** Mission statements are to guide employee behaviour. However, mission is different from sense of mission. A sense of mission is an emotional commitment that employees feel towards the organization.

**A-head reference:** 1.5.3 Mission

a. True

\*b. False

**Type: fill-in-blank**

**Title:** Chapter 01 Question 14

**14)** An organization's purpose can be defined as the reason an organization exists beyond \_\_\_\_\_.

**Feedback:** The purpose of an organization is distinct from its strategy. The strategy is the way in which the organization intends to fulfil its purpose.

**A-head reference:** 1.5.1 Values

a. Making a profit

**Type: multiple response question**

**Title:** Chapter 01 Question 15

**15)** The 'theory of the business' (Drucker 1995) consists of: Please select all that apply.

**Feedback:** The theory of the business consists of the organization's assumptions, but these assumptions might not reflect reality.

**A-head reference:** 1.6 The Theory of the Business

\*a. An organization's assumptions

\*b. An organization's decisions

c. The environmental conditions in which the organization operates

d. The desires of the organization's customers

**Type: multiple response question**

**Title:** Chapter 01 Question 16

**16)** Organizations are being encouraged to take an interest in business model innovation for three reasons: Please select all that apply.

**Feedback:** If a business model is to remain relevant, managers must be open to innovation for both internal and external reasons. Product life cycles are getting shorter, so managers have to open to innovation for the next business opportunity. External competition drives innovation of a business model rather than to keep the old one. For example, competition can come from unexpected sources due to fast technology advancement, or when the old business model will likely require change as each successive innovation offers smaller and smaller improvements to the product or service.

**A-head reference:** 1.7 Business Models

\*a. Product life cycles

b. Organizational values can adapt

\*c. Competition from unexpected sources

\*d. Disruptions from competitors

**Type: multiple choice question**

**Title:** Chapter 01 Question 17

**17)** A decision regarding whether to acquire a business in an unrelated industry would be the concern of:

\*a. Corporate level strategy

**Feedback:** Yes, corporate level strategy concerns decisions about where to compete.

**A-head reference:** 1.3.1 Corporate Strategy

b. Business level strategy

**Feedback:** No, business level strategy concerns how to compete in a particular industry.

**A-head reference:** 1.3.2 Business Strategy

c. Functional level strategy

**Feedback:** No, functional or operational strategy concerns how to operationalize the business level strategy.

**A-head reference:** 1.3.3 Operational or Functional Strategy

d. Parent level strategy

**Feedback:** No, corporate parenting is an aspect of corporate strategy. The conventional way of referring to this level of strategy is 'corporate strategy'.

**A-head reference:** 1.3.1 Corporate Strategy

**Type: fill-in-blank**

**Title:** Chapter 01 Question 18

**18)** Business level strategy is sometimes known as \_\_\_\_\_ strategy.

**Feedback:** Competitive strategy is another term for business level strategy which is concerned with ways of competing in a given industry.

**A-head reference:** 1.3.2 Business Strategy

a. Competitive

**Type: multiple response question**

**Title:** Chapter 01 Question 19

**19)** Strategy in the 1960s was characterized by: Please select all that apply.

**Feedback:** During this era markets were relatively stable, and strategy was primarily seen as a resource allocation task.

**A-head reference:** 1.8 The Development of Strategic Management

a. Unstable markets

- \*b. Strategic planning with a long-term view
- \*c. Stable markets
- d. Very little strategic planning

**Type: true-false**

**Title:** Chapter 01 Question 20

**20)** The resource-based view of the firm considers competitive advantage to come from appropriate positioning in a particular industry.

a. True

**Feedback:** This is known as the 'positioning' approach exemplified by Porter's Five Forces.

**A-head reference:** 1.8 The Development of Strategic Management

\*b. False

**Feedback:** This approach became popular in the 1990s as a challenge to the positioning approach of Porter.

**A-head reference:** 1.8 The Development of Strategic Management

**Type: multiple choice question**

**Title:** Chapter 01 Question 21

**21)** The work of Andrews (1971) and Ansoff (1965) is associated with which approach?

a. The learning school

**Feedback:** No, the learning school accepts that strategies can emerge and that planned strategies don't always become realized.

**A-head reference:** 1.9.2 The Learning School

b. The positioning school

**Feedback:** No, this approach is associated with Porter in the 1980s.

**A-head reference:** 1.10 A Strategic Management Framework

c. The resource-based view

**Feedback:** No, this approach became prominent in the 1990s as a challenge to the positioning approach of Porter.

**A-head reference:** 1.10 A Strategic Management Framework

\*d. The design school

**Feedback:** Yes, this involves rational analysis and planning. This approach contains many useful tools but does not necessarily reflect how strategies actually come about in reality.

**A-head reference:** 1.9.1 The Rationalist School

**Type: multiple response question**

**Title:** Chapter 01 Question 22

**22)** Dynamic capability approach increasingly gains its popularity in the strategic management field: Please select all that apply.

**Feedback:** The dynamic capability approach is developed upon the resource-based theory, asserting that competitive advantage is attributable to firm-level resources and capability. The difference from the resource-based theory is that instead of setting market barriers, sustained competitive advantage from the dynamic capability approach depends on the development of new capabilities matching the external change.

**A-head reference:** 1.8 The Development of Strategic Management

\*a. Organizations have to constantly develop new capabilities as old ones become less effective.

b. Dynamic capabilities allow an organization to sustain competitive advantage based on market barriers.

c. Dynamics of organizational capabilities are determined by the change in organizational strategy.

\*d. Organizational capabilities co-evolve with the market.

**Type: true-false**

**Title:** Chapter 01 Question 23

**23)** According to the chaos and complexity theory, over time, linear rational approaches to decision-making may be insufficient to meet the context in which organizations operate.

**Feedback:** From the chaos and complexity theory, organizations are seen as non-linear feedback loops which link to other organizations by similar loops.

**A-head reference:** 1.8 The Development of Strategic Management

a. False

\*b. True

**Type: multiple response question**

**Title:** Chapter 01 Question 24

**24)** The oil company Shell developed scenario planning. This allows the company to formulate its strategic alternatives. Which of the below applies to this approach of strategy formulation? Please select all that apply

**Feedback:** Scenario planning allows managers to produce different, internally consistent views of what the future might turn out to be. Scenario planning is useful for companies to forecast the future of the business and how it might be influenced by internal and external developments. It falls into the rationalist school and helps with a better understanding but not really description of the real world.

**A-head reference:** 1.9.1 The Rationalist School

\*a. The model cannot represent reality because it is too complex to be adequately described.

\*b. The model is useful for analysing data and provides a background for strategic decisions.

\*c. It falls into the same school of thought with Porter's generic strategies.

\*d. It is rational.

**Type: multiple choice question**

**Title:** Chapter 01 Question 25

**25)** The selection of 'generic' strategies is most associated with which approach to strategy?

a. The emergent approach

**Feedback:** No, the selection of a pre-defined generic strategy is associated with the design approach.

**A-head reference:** 1.9.1 The Rationalist School

b. The learning school

**Feedback:** No, the learning school accepts that strategies can emerge as a result of experience and learning.

**A-head reference:** 1.9.2 The Learning School

c. The resource-based view

**Feedback:** No, the resource-based view believes that internal resources are the basis of competitive advantage rather than the selection of a generic strategy to fit a particular type of competitive environment.

**A-head reference:** 1.8 The Development of Strategic Management

\*d. The design school

**Feedback:** Yes, the design school is characterized by a rational process of matching the internal resources to the external environment. A generic strategy is then chosen which is most appropriate for the particular competitive environment.

**A-head reference:** 1.9.2 The Learning School

**Type: multiple response question**

**Title:** Chapter 01 Question 26

**26)** An intended strategy can be: Please select all that apply.

**Feedback:** Mintzberg and Waters (1985) suggest that not all realized strategies (those that actually happen) were intended. They could have emerged as a result of experience and learning.

**A-head reference:** 1.9.2 The Learning School

\*a. Realized

\*b. Deliberate

c. Emergent

\*d. Unrealized

**Type: fill-in-blank**

**Title:** Chapter 01 Question 27

**27)** Mintzberg (1996) stated 'We all know we shall get nowhere without emergent learning alongside \_\_\_\_\_'.

**Feedback:** Although the different schools of thought in strategy appear to have opposing views, it is important to take something useful from all of them.

**A-head reference:** 1.9.2 The Learning School

a. Deliberate planning

**Type: fill-in-blank**

**Title:** Chapter 01 Question 28

**28)** A shareholder is an example of a \_\_\_\_\_ that could be internal and external.

**Feedback:** It is not always possible to make the distinction between internal and external stakeholders. For example, an employee could also be a shareholder.

**A-head reference:** 1.10 A Strategic Management Framework

a. stakeholder

**Type: multiple response question**

**Title:** Chapter 01 Question 29

**29)** In the framework of strategic management, values determine: Please select all that apply

**Feedback:** In the strategic-making process, organizational values determine the goals in the organizational sets. The goals, in turn, will determine the resources and capabilities required for these to be achieved by the company. Environmental factors are not directly affected by organizational values.

**A-head reference:** 1.10 A Strategic Management Framework

\*a. Organizational goals

\*b. Resources and capabilities

c. Competitive environment

d. Macro environment

**Type: multiple response question**

**Title:** Chapter 01 Question 30

**30)** The approach to strategy that is characterized by fitting the organization to the environment is also known as: Please select all that apply.

**Feedback:** The positioning approach is most closely associated with the work of Michael Porter in the 1980s. The opposite view (also known as the inside-out approach) views competitive advantage as residing within the firm rather than trying to fit the firm to the environment. The inside-out approach suggests that resources can be used to create new opportunities in the environment.

**A-head reference:** 1.10 A Strategic Management Framework

\*a. The positioning approach

b. The inside-out approach

c. The stretch approach

\*d. The outside-in approach

**Type: true-false**

**Title:** Chapter 01 Question 31

**31)** In general, a firm can substitute its business strategy with a business model.

a. True

**Feedback:** Business model is a plan for the operation of a business, identifying sources of revenue, the intended customer base, products, and details of financing.

**A-head reference:** 1.7 Business models

\*b. False

**Feedback:** These are two different things.

Business strategy can be defined as the course of action and decisions, which assist the firm in achieving specific business objectives and compete in a given market. Thus, business model and business strategy are complementing each other.

**A-head reference:** 1.7 Business models