

CHAPTER 1—STRATEGIC MANAGEMENT

MULTIPLE CHOICE

1. In order to achieve success implementing change, what two concepts do HR managers need to match together?
 - a. motivation and hiring practices
 - b. position modules and salary theories
 - c. principles and salary theories
 - d. HRM practices and organizational goals

ANS: D REF: Page 5 BLM: Higher Order

2. What type of strategy is an agreed-upon plan that is arrived at through formal planning processes?
 - a. discarded
 - b. emergent
 - c. realized
 - d. intended

ANS: D REF: Page 6 BLM: Remember

3. Managers in a department store have decided that the shoe department is not a profitable part of the store and it would be better suited to being an independent organization that rented space from the store. What type of strategy is demonstrated if the shoe department is separated from the department store into a separate entity?
 - a. merger
 - b. divestiture
 - c. bankruptcy
 - d. growth

ANS: B REF: Page 9 BLM: Higher Order

4. What type of objective is represented by the ratio “return on investment?”
 - a. soft
 - b. short-term
 - c. long-term
 - d. hard

ANS: D

REF: Page 17

BLM: Remember

5. What are the two primary types of inputs that influence an organization's competitive advantage?
- a. profitability and human capital
 - b. reputation and superior performance
 - c. culture and distinct advantage
 - d. capabilities and tangible assets

ANS: D REF: Page 18 BLM: Remember

6. What type of competency is represented by resources and capabilities that serve as a firm's competitive advantage?
- a. core
 - b. central
 - c. cultural
 - d. collective

ANS: A REF: Page 18 BLM: Remember

7. Which of the following represents either a growth or a stability strategy?
- a. merger
 - b. turnaround
 - c. bankruptcy
 - d. liquidation

ANS: A REF: Page 10 BLM: Remember

8. If employees understand the behaviours and performance levels that will be rewarded on the job, what type of benefit is produced that will help managers formulate a strategy?
- a. clarity
 - b. incentives
 - c. change
 - d. efficiency

ANS: B REF: Page 22 BLM: Higher Order

9. What is a tangible corporate goal that represents a point of view about the competitive positions a company hopes to build over a decade?
- a. strategic plan
 - b. strategic intent
 - c. strategic implementation
 - d. strategic formulation

ANS: B REF: Page 9 BLM: Higher Order

10. If a formulated plan is called an intended strategy, what strategy depicts the implemented plan?
- a. intentional
 - b. ideal
 - c. realized
 - d. predicted

ANS: C REF: Page 6 BLM: Higher Order

11. If an organization fails to engage in strategic planning it will be burdened by many challenges. Which of the following is NOT one of these challenges?
- a. fail to involve senior managers and executives so that there is no buy-in
 - b. fail to use the plan as the guide to make decisions and evaluate performance
 - c. fail to align incentives and other hr policies to the achievement of strategy
 - d. fail to incorporate information generated from 360 degree reviews

ANS: D REF: Page 22 BLM: Higher Order

12. Which strategy is synonymous with logical incrementalism?
- a. intended
 - b. emergent
 - c. discarded
 - d. realized

ANS: B REF: Page 6 BLM: Higher Order

13. If all organizations are different, what strategic concept demonstrates this reality?
- a. solitary
 - b. unrivalled
 - c. exclusive
 - d. unique

ANS: D REF: Page 8 BLM: Higher Order

14. Which of the following represents either a restructuring or stability strategy?
- a. merger
 - b. liquidation
 - c. incremental
 - d. joint venture

ANS: B REF: Page 9 BLM: Remember

15. McDonald's incorporated many unique strategies to turn the restaurant around. Which of the following is part of a different restaurant's corporate strategy?
- a. aligning itself with Paul Newman's salad dressing
 - b. allowing free refills for all beverages
 - c. introducing new foods that reflected regional food interests
 - d. opening stores in non-traditional locations

ANS: B REF: Page 9 BLM: Higher Order

16. If a firm is applying a growth strategy, it will typically be focused on certain HR practices. Which of the following activities represent strategies that are NOT a growth strategy?
- a. hoarding by managers
 - b. aggressive recruitment
 - c. rapidly rising wages
 - d. increased job creation

ANS: A REF: Page 10 BLM: Higher Order

17. How is the successful implementation of strategy judged?
- a. by whether it satisfies top management's expectations
 - b. by whether it realizes organizational goals and objectives
 - c. by whether it engages employees to do their best
 - d. by whether it meets financial targets and ratios

ANS: D REF: Page 22 BLM: Higher Order

18. Salad-O is a fast food outlet located in a shopping mall that tries to compete with Greens-Away by offering gourmet salad dressings. Which of Porter's competitive strategies is Salad-O applying?
- a. low-cost provider
 - b. broad differentiation
 - c. market niche with lower cost
 - d. market niche with differentiation

ANS: B REF: Page 20 BLM: Higher Order

19. "Our company is committed to honesty and improving society." What type of statement does this quote describe?
- a. attitude
 - b. policy
 - c. strategic
 - d. value

ANS: D REF: Page 14 BLM: Higher Order

20. Some organizations drift aimlessly during times of economic turmoil. What might be a concrete reason for an organization to be so unfocused?
- a. The organization did not produce a vision statement to unite its employees.
 - b. The organization did not complete its long-term plan for the next 3 to 5 years.
 - c. The organization did not conduct a succession plan for its older managers.
 - d. The organization did not build a culture that supported work-life balance.

ANS: A REF: Page 14 BLM: Higher Order

21. What is the process called that formulates organizational goals, objectives, action plans, and the mission statement?
- a. formulation
 - b. analysis
 - c. strategy
 - d. planning

ANS: C REF: Page 21 BLM: Remember

22. According to the textbook, what are the three types of corporate strategy?
- a. liquidation, bankruptcy, and growth
 - b. mergers, acquisitions, and joint ventures
 - c. growth, restructuring, and stability
 - d. turnaround, bankruptcy, and divestiture

ANS: C REF: Page 8 BLM: Remember

23. In order for senior managers to determine who the company's customers are, where they are located, and what product or service characteristics the customers value, the managers must develop a statement of the fundamental benefits of the products or services being offered in the marketplace. What is this statement known as?
- a. value proposition
 - b. vision statement
 - c. value statement
 - d. vision proposition

ANS: A REF: Page 20 BLM: Higher Order

24. Southwest Airlines has used multiple strategies since its inception in 1974. Why has its current focus on organizational culture been such an effective strategy for the airline?
- a. Southwest's culture is variable and substitutable like the strategies it applies.
 - b. Southwest's culture is inspirational so that its employees achieve greater work-life balance.
 - c. Southwest's culture is unique and strategic mimicry by other airlines is not possible.

- d. Southwest's culture is responsible for its low cost, low price, no frills flights strategy.

ANS: C REF: Page 19 BLM: Higher Order

25. Which concept refers to a list that produces the sequential steps required to get the job done?
- a. principles
 - b. procedures
 - c. program
 - d. policies

ANS: B REF: Page 21 BLM: Remember

26. Which of the following is an example of an organization that follows Porter's Best-Cost Provider Strategy?
- a. a hamburger served by a waiter on a plate with potato salad
 - b. a hamburger and fries in a paper bag served by the drive-through operator
 - c. a hamburger and baked potato placed on a tray and served by the take-out counter clerk
 - d. a hamburger and baby greens salad in a plastic bubble package bought at the grocery store

ANS: A REF: Page 21 BLM: Higher Order

27. In what year, did Michael E. Porter write his seminal book entitled *Competitive Advantage*?
- a. 1945
 - b. 1965
 - c. 1985
 - d. 2005

ANS: C REF: Page 29 BLM: Remember

28. An organization is influenced by a variety of elements from the external environment. On the other hand, which of the following appears to be derived from the internal environment of the organization?
- a. technology
 - b. laws and regulations

- c. HR diversity policy
- d. demographic shifts

ANS: C

REF: Page 17

BLM: Higher Order

29. According to the textbook, which of the following is NOT an element of the Company's Strategy-Making Hierarchy?
- a. corporate strategy with the organization
 - b. business strategy for each business
 - c. operating strategies within each business
 - d. executing strategy within each business

ANS: D REF: Page 13 BLM: Higher Order

30. Cara has been a very effective business because of its ability to apply a values statement that reflects its core values. Which of the following is Cara's most important core value?
- a. passion for winning and quality
 - b. self-responsibility and leadership
 - c. integrity and trustworthiness
 - d. people and virtual teamwork

ANS: A REF: Page 16 BLM: Higher Order

TRUE/FALSE

1. According to Toyota, a good vision statement must challenge and protect the organization.

ANS: F
(stretch)

BLM: Remember

REF: Page 14

2. If no two organizations are the same, then logically all organizational strategies are unique.

ANS: T

BLM: Higher Order

REF: Page 8

3. A company can have one corporate strategy but many business strategies.

ANS: T

BLM: Higher Order

REF: Page 12

4. When a company can no longer pay its creditors, the company may file for bankruptcy.

ANS: T

BLM: Remember

REF: Page 10

5. A vision statement would answer the questions “Who are we?” and “Why are we here?”

ANS: F
(is a mission statement)

BLM: Remember

REF: Page 14

6. To be successful, a company must adopt only one corporate strategy.

ANS: F
(many)

BLM: Higher Order

REF: Page 12

7. The decision to merge with another company is an example of a growth strategy.

ANS: T

BLM: Remember

REF: Page 10

8. If an organization decides that the company is an ideal size and decides to maintain it, then the organization is adopting a growth strategy.

ANS: T BLM: Higher Order REF: Page 10

9. Strategic intent is an intangible corporate goal.

ANS: F BLM: Remember REF: Page 6
(tangible)

10. Porter's model of business strategy has been criticized for having categories that overlap.

ANS: T BLM: Remember REF: Page 21

11. There are three competitive positions used in most strategy textbooks: cost, differentiation, and flexibility.

ANS: F BLM: Remember REF: Page 21
(focus not flexibility)

12. The question, "Should we be in business?" is an example of a business strategy.

ANS: F BLM: Higher Order REF: Page 6
(corporate example)

13. The strategic planning process is dynamic and evolves as environmental conditions change.

ANS: T BLM: Higher Order REF: Page 6

14. Examples of corporate strategy include decisions to compete internationally or to merge with other companies.

ANS: T BLM: Higher Order REF: Page 10

15. A discarded strategy is one that was found to be inappropriate because of changing circumstances.

ANS: T BLM: Remember REF: Page 7

16. In general, a restructuring strategy is one that deals with companies that are operating at a surplus and are typically described as “money-making.”

ANS: F
(money-losing)

BLM: Higher Order

REF: Page 8

17. Values guide the behaviour of individuals within an organization.

ANS: T

BLM: Remember

REF: Page 14

18. Rolls Royce would be an example of a company using a best-cost provider strategy.

ANS: F
(focused with differentiation)

BLM: Higher Order

REF: Page 20

19. Hard objectives deal with social issues like the ethics and values of an organization.

ANS: F
(e.g., soft goal)

BLM: Higher Order

REF: Page 17

20. A “harvest” strategy can also be conceptualized as a “retrenchment” strategy because the goal is to restructure and not grow.

ANS: T

BLM: Higher Order

REF: Page 11

21. Emergent strategy is the plan that changes incrementally due to environmental changes.

ANS: T

BLM: Remember

REF: Page 6

22. An acquisition is seen as two organizations joining to gain economies of scale, whereas a merger occurs when one company acquires another.

ANS: F
(opposite)

BLM: Remember

REF: Page 10

23. Dynamic capabilities are the abilities of an organization to adapt and renew its competencies in accordance with a changing business environment.

ANS: T

BLM: Higher Order

REF: Page 19

24. Competitive advantage of an organization includes the characteristics that enable it to earn higher rates of interest on its investments than its competitors.

ANS: F

BLM: Higher Order

REF: Page 17

(higher rates of profits)

SHORT ANSWER

1. *What is a corporate strategy? Identify the three major corporate or organization-wide strategies outlined by the authors in the text and discussed in class and provide examples of each.*

ANS:

Corporate Strategies are focused on overall strategy for the company and its businesses or interests. These strategies are usually focused on long-term growth and survival goals.

There are three corporate strategy options:

- *Restructuring* (turnaround, divestiture, liquidation, bankruptcy)
- *Growth* (incremental growth, international growth, mergers and acquisitions)
- *Stability* (maintain the status quo)

REF: Page 8

BLM: Higher Order

2. *Compare and contrast corporate and business strategy. What is the difference between the two?*

ANS:

Business strategy focuses on one line of business as opposed to the overall corporation. Business strategy involves building a strong competitive position as opposed to determining if this is the business to be in. Business strategy is an action plan for managing one line of business. Corporate strategy asks, "Should we be in business? What business should we be in?" Business strategy asks, "How should we compete? Should we compete by offering products at prices lower than those of the competition or by offering the best service?"

REF: Pages 8–13

BLM: Higher Order

3. *List the steps (from initial planning to end stages) in strategic planning.*

ANS:

1. Establish the mission, vision and values
2. Develop objectives
3. Analyze the external environment
4. Identify the competitive advantage
5. Determine the competitive position
6. Implement the strategy
7. Evaluate the performance

REF: Pages 13–14

BLM: Remember

4. *What are some of the benefits of strategy formulation to organizations? Identify and briefly describe five benefits.*

ANS:

- Clarity – to help focus and guide decision making about resource allocations
- Coordination – everyone is working together towards the same goals
- Efficiency – daily decision making is guided toward the question “does it fit our strategy?”
- Incentives – employees understand the behaviours and performance that will be rewarded
- Change – if a major change is under consideration, then understanding the current strategy is essential
- Career development – a clear outline of an organization’s strategy can help you decide if you want to work for the company, if there is a skills fit, and what training and development you will need in order to facilitate the achievement of strategy.
- An understanding of the strategic planning process is the essential first step to creating an HR strategy that makes sense for the organization.

REF: Page 22

BLM: Higher Order

5. *Compare and contrast the HRM practices of a company using a low-cost provider strategy with one using a differentiation strategy.*

ANS:

Low-cost providers provide a product or service at a price lower than that of its competitors while appealing to a broad range of customers. A major emphasis with this type of strategy is to reduce cost; therefore contingent workers are recruited and paid minimal hourly wages. There is a high turnover of staff and minimal on-the-job training. There are minimal opportunities for career growth and advancement. Businesses using a differentiation strategy seek to differentiate their products in ways that will appeal to a broad range of buyers. More staff training may be required in businesses employing this type of strategy. There is more emphasis on product knowledge and customer service. There may be more opportunities for advancement in this type of business.

REF: Pages 20–21

BLM: Higher Order