Testbank

**to accompany**

Contemporary Strategic Management 2nd edition

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**Chapter 1:**

**Strategy: concepts and perspectives**

**True/False Questions**

1. Strategy consists of the plans and actions a company selects to achieve its strategic goals.

\*a. True

b. False

General Feedback:

Difficulty: Easy

2. Strategic Management consists of tactical and operational-level decisions.

a. True

\*b. False

General Feedback:

Difficulty: Easy

3. The reflection of key organisational stakeholder's needs in vision and mission statements is an important component of strategy formulation.

\*a. True

b. False

General Feedback:

Difficulty: Easy

4. Organisations gain competitive advantage through abundance of resources.

a. True

\*b. False

General Feedback:

Difficulty: Medium

5. Offensive strategies are not applicable for public-sector organisations.

a. True

\*b. False

General Feedback:

Difficulty: Medium

6. Functional-level strategy is concerned with the allocation of organisational resources to create specific competitive advantages.

\*a. True

b. False

General Feedback:

Difficulty: Medium

7. The resource-based view postulates that an organisation's success vitally depends upon its financial strength.

a. True

\*b. False

General Feedback:

Difficulty: Easy

8. Key organisational stakeholders are staff members, governments, communities that hold partial ownership of the organisation.

a. True

\*b. False

General Feedback:

Difficulty: Easy

9. The mission statement is a brief description of the stakeholders and behaviours the organisation considers most important.

a. True

\*b. False

General Feedback:

Difficulty: Easy

10. The organisational purpose defines who the organisation exists to serve and how they should be served.

\*a. True

b. False

General Feedback:

Difficulty: Easy

11. A competitive advantages consists of a feature, characteristic or opportunity that an organisation possesses which will make it more attractive than its competitors

\*a. True

b. False

General Feedback:

Difficulty: Medium

12. Creating an observable difference between products, services and the way in which business operates, relative to competitors is often the source of competitive advantage.

\*a. True

b. False

General Feedback:

Difficulty: Medium

13. The strategic intent is profit-maximisation.

a. True

\*b. False

General Feedback:

Difficulty: Medium

14. Emergent strategy is the superior strategic management approach as opposed to formal strategic planning.

a. True

\*b. False

General Feedback:

Difficulty: Medium

15. Strategic management is the process of thinking strategically, setting objectives, planning and implementing the necessary changes and measuring the outcomes.

\*a. True

b. False

General Feedback:

Difficulty: Easy

16. The move of Telstra to acquire smaller high performing technology firms can be described as offensive functional-level strategy.

a. True

\*b. False

General Feedback:

Difficulty: Medium

17. Strategy has its origins in military strategy.

\*a. True

b. False

General Feedback:

Difficulty: Easy

18. Strategy denotes the entire plan whereas a tactic refers to a scheme for a specific action.

\*a. True

b. False

General Feedback:

Difficulty: Easy

19. Strategic decisions are important, involve a significant commitment of resources and are easily reversible.

a. True

\*b. False

General Feedback:

Difficulty: Easy

20. *Intended strategy* is a set of unknown actions; *emergent strategy* comprises actions or changes that are surfacing from the organisation itself and from its complexities; and finally, *realised strategy* encompasses the set of strategic changes and actions that actually take place.

a. True

\*b. False

General Feedback:

Difficulty: Medium

21. As stated by Michael Porter, strategy is about doing things better than others.

a. True

\*b. False

General Feedback:

Difficulty: Medium

22. Strategy encompasses different components through which it is articulated and communicated. These include such as vision, mission, business models, and strategic plans.

\*a. True

b. False

General Feedback:

Difficulty: Easy

23. The resource-based view is a perspective on developing strategy that focuses on the organisation's key resources as a source of competition.

\*a. True

b. False

General Feedback:

Difficulty: Easy

24. After a sound strategy has been developed, strategic implementation comes by itself and does not require major organisational resources.

a. True

\*b. False

General Feedback:

Difficulty: Easy

25. Business-level strategy refers to the actions that a company implements to create a competitive advantage over rivals in a chosen market or industry.

\*a. True

b. False

General Feedback:

Difficulty: Easy

**Multiple Choice Questions**

26. The incremental approach to formulating strategy means:

\*a. The evolutionary and gradual, step-wise development of strategy

b. Learning by doing

c. Tactics gradually transform into strategy

d. The internationalisation process generally follows five stages

General Feedback:

References: Chapter 1 page 12, Difficulty: Easy

27. The revolutionary approach to formulating strategy can be described as:

a. Strategic management through intuition

b. Following one outstanding organisational leader

\*c. A combination of planning and trial and error until a successful approach is identified

d. Relying mainly on the rational judgement computers

General Feedback:

References: Chapter 1 page 13, Difficulty: Medium

28. Strategy is fundamentally about:

a. Avoiding environmental threats

\*b. Ensuring organisational survival and driving resource development and allocation

c. Satisfying all stakeholders

d. Being an excellent "corporate citizen"

General Feedback:

References: Chapter 1 page 7, Difficulty: Medium

29. The proposition that the principles and practices of business strategy have evolved over time:

a. Is not true because the fundamental objective has always been to defeat the enemy

b. Is true because new fads and formulae for business success are continually emerging

\*c. Is true because the challenges faced by companies' top management change over time and new approaches to these challenges have been developed

d. Is not true because strategy already existed as far back as the Ancient Greek and Roman worlds

General Feedback:

References: Chapter 1 pages 7, 33, Difficulty: Medium

30. During the 1990s, the focus of strategy analysis shifted:

a. From the sources of profit outside the firm to the sources of profit within the firm

b. To the resource-based view of the firm

\*c. Both (a) and (b)

d. From the structure-based approach to the value-added perspective

General Feedback:

References: Chapter 1 page 25, Difficulty: Medium

31. How do corporate level strategy and business level strategy differ?

\*a. Corporate level strategy defines the scope of the firm's activity, the types of business it includes and the geographical scope of operations., Business level strategy focuses on the competition within a specific market

b. Corporate level strategy defines the scope of the firm's structure, whereas business level strategy emphasises the relationship of each business with its environment

c. Corporate level strategy concentrates on the overall strategic plan, whereas business level strategy focuses implementing strategic decisions in each product market

d. Corporate level strategy is concerned with long term goals, whereas business level strategy deals only with daily and operational issues

General Feedback:

References: Chapter 1 page 25, Difficulty: Hard

32. Whittington distinguished four basic theories of strategy:

\*a. Classical, evolutionary, systemic, processual

b. Natural, hierarchical, centralised, decentralised

c. International, transnational, global, multi-domestic

d. focused, differentiation, cost-leadership, focused differentiation

General Feedback:

References: Chapter 1 page 11, Difficulty: Hard

33. For a competitive advantage to be sustained it must be:

\*a. Difficult or costly for competitors to imitate

b. The result of low costs due to sound strategic planning

c. Aligned with the characteristics and personal values of top level management

d. Enormous financial resources are required

General Feedback:

References: Chapter 1 page 17, Difficulty: Medium

34. A skill or knowledge possessed by the firm that, when applied, will create a competitive advantage is also referred to as:

a. Organisational resource

b. Management capability

c. Differentiation

\*d. Core competency

General Feedback:

References: Chapter 1 page 17, Difficulty: Medium

35. The very rapid rate of change in the factors that lead to success in software writing explains why software organisations (e.g. Microsoft) tend to:

\*a. Follow emergent strategies rather than relying on formal strategy

b. Employ classic methods of strategic planning rather than modern strategic planning

c. Follow the sequential approach to strategy formulation

d. Apply tactics rather than strategies

General Feedback:

References: Chapter 1 page 10, Difficulty: Hard

36. The view that an organisation's environment, rather than rational planning processes, determines its success is characteristic for:

a. Classical theories of strategy

b. Processual theories of strategy

c. Systemic theories of strategy

\*d. Evolutionary theories of strategy

General Feedback:

References: Chapter 1 page 11, Difficulty: Hard

37. The significance of an organisations context is characteristic for:

a. Classical theories of strategy

b. Processual theories of strategy

\*c. Systemic theories of strategy

d. Evolutionary theories of strategy

General Feedback:

References: Chapter 1 page 11, Difficulty: Hard

38. The sequential view of strategy formulation has one major weakness:

\*a. The necessary specific information and possible directions are not readily available after each step

b. No concrete strategic direction can be determined

c. Monitoring and controlling of actions often result in delayed achievement of the desired outcomes

d. It is only suitable for short-term strategic goals

General Feedback:

References: Chapter 1 page 12, Difficulty: Hard

39. An approach to formulating strategy that relies partly on planning and partly on trial and error can be categorised as:

a. Interactive approach

b. Sequential approach

\*c. Revolutionary approach

d. Hierarchical approach

General Feedback:

References: Chapter 1 page 12, Difficulty: Hard

40. According to Whittington's four distinguished theories of strategy, the following assume a profit-maximising motive of the organisation:

a. Systemic and classical

b. Evolutionary and systemic

\*c. Classical and evolutionary

d. Processual and classical

General Feedback:

References: Chapter 1 page 11, Difficulty: Hard

41. Strategic principles need to have the following characteristics in order to be effective:

a. Simple

b. Memorable

c. Empowering

\*d. All of the above

General Feedback:

References: Chapter 1 page 14, Difficulty: Hard

42. The optimal balance between formally planned and emergent components of strategy depends on:

a. The resources in possession of the firm

b. The organisations tactics

c. The strategy formulation process chosen by the organisation

\*d. The stability of the external environment

General Feedback:

References: Chapter 1 page 10, Difficulty: Hard

43. How can strategic intent create exceptional levels of employee commitment and focus?

\*a. By creating a gap between resources and ambitions

b. By motivating employees with performance-based compensation

c. By creating a strategic fit that strengthens the competitive position of the organisation

d. All of the above

General Feedback:

References: Chapter 1 page 15, Difficulty: Hard

44. Sir Richard Branson regularly introduces new business units to the Virgin Group to benefit from environmental conditions with the firm-internal resources. This is a good example of:

a. The resource-based view (RBV)

\*b. Strategic thinking

c. Strategic planning

d. The processual approach to strategy formulation

General Feedback:

References: Chapter 1 page 15, Difficulty: Hard

45. According to Michael Porter's view strategy is about:

a. Making moves that counter those of competitors

b. Doing things better than competitors

\*c. Making choices

d. All of the above

General Feedback:

References: Chapter 1 page 16, Difficulty: Hard

46. The difference between the services and products of the organisation that leads stakeholders, particularly customers, to prefer one organisation over the other can be referred to as:

\*a. Differentiation

b. Competitive advantage

c. Industry strategy

d. Operational effectiveness

General Feedback:

References: Chapter 1 page 16, Difficulty: Medium

47. Microsoft's monopoly for personal computer operating systems provides all Windows compatible software manufacturers with a competitive advantage over non-Windows compatible software manufacturers. This is an example for:

a. Competitive advantage

\*b. Industry strategies

c. Operational effectiveness

d. Differentiation

General Feedback:

References: Chapter 1 page 16, Difficulty: Hard

48. Strategic management is a decision-making process in which the first step is to identify the:

a. Core competencies

b. Strategic intent

c. Strategic goals

\*d. Organisational purpose

General Feedback:

References: Chapter 1 page 18, Difficulty: Hard

49. The following are important contributors to defining the organisational purpose:

a. Value statement

b. Stakeholder statement

c. Performance goals

\*d. None of the above

General Feedback:

References: Chapter 1 page 18, Difficulty: Hard

50. A brief description of the stakeholders and behaviours the organisation considers most important referred to as:

a. Mission statement

b. Vision statement

c. Code of conduct

\*d. Value statement

General Feedback:

References: Chapter 1 page 19, Difficulty: Hard

51. Mission and vision essentially differ:

\*a. In the term of future aspirations

b. In regards to their strategic importance

c. They do not differ

d. in the fact that mission guides corporate tactics and vision guides corporate strategy

General Feedback:

References: Chapter 1 page 19, Difficulty: Hard

52. An organisation having developed its mission, vision, values and ethical position must have identified:

a. Its shareholders’ interests

b. Its strategic goals

c. Its core competencies

\*d. Its stakeholders and their needs

General Feedback:

References: Chapter 1 page 20, Difficulty: Hard

53. The following can be identified as key stakeholders:

a. Staff members' representative groups (e.g. unions)

b. Communities

c. Government

\*d. All of the above

e. None of the above

General Feedback:

References: Chapter 1 page 18, Difficulty: Medium

54. Typical expectations of an organisations owner include:

a. competitive wages and benefits for employees

b. lack of damage to the community's environment

\*c. Return on investment and growth in earnings

d. Meeting the interests of all stakeholders

General Feedback:

References: Chapter 1 page 22, Difficulty: Medium

55. A perspective on organisational strategy that focuses on the organisation's resources as source of competition is known as:

\*a. Resource-based view

b. Corporate resource maximisation

c. Profit-maximisation

d. None of the above

General Feedback:

References: Chapter 1 page 25, Difficulty: Medium

56. Telstra's strategic decision to enter into a price war in response to competition from new market entrants can be described as:

a. Competitive advantage

b. Functional-level strategy

\*c. Defensive strategy

d. None of the above

General Feedback:

References: Chapter 1 page 26, Difficulty: Hard

57. How organisations support business-level strategies by allocating resources to create specific competitive advantages is commonly summarised under the term:

\*a. Functional-level strategy

b. Operational effectiveness

c. Profitability

d. None of the above

General Feedback:

References: Chapter 1 page 29, Difficulty: Medium

58. Successful implementation of strategic change requires:

a. Sufficient organisational resources

b. Senior management leadership and support

c. The involvement of staff members directly affected by the change

\*d. All of the above

General Feedback:

References: Chapter 1 page 33, Difficulty: Hard

59. Traditionally, public sector organisations are characterised by:

\*a. Resistance to change often reflecting their monopoly position

b. Corruption

c. Offensive public strategies

d. Effective commercialisation of utility services

General Feedback:

References: Chapter 1 page 29, Difficulty: Medium

60. Internal strategic analysis is required to identify:

a. Current core competencies

b. Resources available for competition

c. The suitability of an organisation's structure for the type of competition its wants to engage in

\*d. All of the above

General Feedback:

References: Chapter 1 page 25, Difficulty: Hard

61. Local communities are:

a. not of major importance for an organisation's success

\*b. key stakeholders that influence the organisation

c. the main influence factor on commercial organisations as they should aim to maximise the benefit for the communities they are embedded in.

d. irrelevant for strategic management

General Feedback:

References: Chapter 1 page 23, Difficulty: Medium

62. The modern approach to strategy formulation:

\*a. Combines emergent and planned approaches to develop strategy

b. Uses sophisticated, IT-supported analytical decision-making tools to create the best strategy possible

c. Is not of use for public-sector organisations

d. All of the above

General Feedback:

References: Chapter 1 page 13, Difficulty: Medium

**Short Answer/Essay Questions**

63. Why does an organisation need a strategy?

Correct Answer:

Difficulty: Easy. This question fundamentally refers to two major reasons for strategy: resource allocation and responses to changes in the external business environment. Apart from ensuring survival, a strategy acts as the key driver of how and where the organisation invests its resources. The strategy of an organisation will be evident in its pattern of investments. The strategy is also responsible for ensuring that the organisation has sufficient flexibility to respond to environmental changes. The business environment in most industries is becoming increasingly complex - customer needs are changing rapidly, customers are becoming more demanding, and the ability of competitors (local, regional, national and multinational) to take advantage of the weaknesses of other organisations is much stronger than before. Strategic management is the interface between an organisation and its external environment addresses the need to respond to these forces.

64. Is the business level strategy the strategy of a part of the firm or the strategy of the whole firm competing in a specific market?

Correct Answer:

Difficulty: Hard. This question relates to at least two elements:
The first, the distinction between corporate and business level strategies and the second, the organisational support of the business level strategy (which organisational actors deal with it in the firm?)
Corporate level strategy consists of the choice of the business portfolio of the firm and of the overall integration of all strategic orientations. Business level strategy deals with "how to" compete in a specific market. Therefore, generally the business level strategy or the responsibility to design and implement orientations for the future of a specific business is delegated to a division or a subsidiary. This division or subsidiary is also in charge of running the operations for this business.

65. What are similarities and differences between strategy in the business world and in the military arena?

Correct Answer:

Difficulty: Medium. Both types of strategies share some attributes such as:
i) They are important for overall success, ii) They involve a significant commitment of resources, iii) They are largely irreversible, iv) They accommodate the classic distinction between strategy and tactic, v) They share lessons and principles applicable in both fields and vi) They lack a comprehensive and global theory that explains and guarantees universal success. However, although strategy in the military field often implies the total destruction of the enemy, different intermediate situations have been identified in the business world; rivals may tolerate each other, or even cooperate and compete simultaneously. Total destruction and the emergence of monopolies is not often a realistic option.

66. Distinguish competitive advantage, differentiation, and core competencies?

Correct Answer:

Difficulty: Medium. This question tests the understanding of three key concepts of strategic management.
i) Competitive advantage is any source of difference between one organisation and its competitors that will assist the organisation to achieve its objectives. A organisation with competitive advantage may be said to continuously outperform its competitors.
ii) Differentiation is a specific source of difference that refers to the organisation's product or service offering that leads customers to prefer the organisation's products or services over those of competitors.
iii) Core competencies, on the contrary, are internal processes such as relationships, skills, knowledge, management capability, etc. Core competencies, when applied, are often the fundamental source of competitive advantage.

67. Why is strategy implementation important?

Correct Answer:

Difficulty: Medium. Success in the implementation of any strategy is critical for improving organisational performance. Until a strategy is implemented, it is only an expectation. The process of implementation is not easy and requires time and resources. Furthermore, implementation is often only partially successful, possibly leading to emergent strategies.