**Test Bank**

to accompany

**Strategic Management, Essentials Edition**

by

**Grant et al.**



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**Chapter 1**

**Strategic concepts and perspectives**

**Multiple choice questions**

1. 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:

Learning objective 1.1: Define what is meant by strategy and strategic management.

2. 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:

Learning objective 1.1: Define what is meant by strategy and strategic management.

3. 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:

Learning objective 1.2: Explain the difference between emergent and intended strategy.

4. 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:

Learning objective 1.2: Explain the difference between emergent and intended strategy.

5. 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:

Learning objective 1.3: Define the four main types of strategy formulation process.

6. 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:

Learning objective 1.3: Define the four main types of strategy formulation process.

7. 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:

Learning objective 1.3: Define the four main types of strategy formulation process.

8. 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:

Learning objective 1.3: Define the four main types of strategy formulation process.

9. 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:

Learning objective 1.3: Define the four main types of strategy formulation process.

10. 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:

Learning objective 1.3: Define the four main types of strategy formulation process.

11. 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:

Learning objective 1.3: Define the four main types of strategy formulation process.

12. 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:

Learning objective 1.3: Define the four main types of strategy formulation process.

13. 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:

Learning objective 1.4: Understand how strategic management processes are used in practice in the digital age.

14. 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:

Learning objective 1.4: Understand how strategic management processes are used in practice in the digital age.

15. 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:

Learning objective 1.4: Understand how strategic management processes are used in practice in the digital age.

16. 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:

Learning objective 1.5: Explain how strategic thinking is used to achieve differentiation and create strategies that will lead to a sustainable competitive advantage.

17. 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:

Learning objective 1.5: Explain how strategic thinking is used to achieve differentiation and create strategies that will lead to a sustainable competitive advantage.

18. 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:

Learning objective 1.5: Explain how strategic thinking is used to achieve differentiation and create strategies that will lead to a sustainable competitive advantage.

19. 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:

Learning objective 1.5: Explain how strategic thinking is used to achieve differentiation and create strategies that will lead to a sustainable competitive advantage.

20. 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:

Learning objective 1.5: Explain how strategic thinking is used to achieve differentiation and create strategies that will lead to a sustainable competitive advantage.

21. 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:

Learning objective 1.6: Construct a statement of organisational purpose comprising the vision, values, ethics and stakeholder needs of an organisation.

22. 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:

Learning objective 1.6: Construct a statement of organisational purpose comprising the vision, values, ethics and stakeholder needs of an organisation.

23. 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:

Learning objective 1.6: Construct a statement of organisational purpose comprising the vision, values, ethics and stakeholder needs of an organisation.

24. 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:

Learning objective 1.6: Construct a statement of organisational purpose comprising the vision, values, ethics and stakeholder needs of an organisation.

25. 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:

Learning objective 1.6: Construct a statement of organisational purpose comprising the vision, values, ethics and stakeholder needs of an organisation.

26. 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:

Learning objective 1.6: Construct a statement of organisational purpose comprising the vision, values, ethics and stakeholder needs of an organisation.

27. 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:

Learning objective 1.6: Construct a statement of organisational purpose comprising the vision, values, ethics and stakeholder needs of an organisation.

28. 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:

Learning objective 1.6: Construct a statement of organisational purpose comprising the vision, values, ethics and stakeholder needs of an organisation.

29. 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 it wants to engage in

\*d. All of the above

General Feedback:

Learning objective 1.7:Define the role of internal and external environmental analyses, strategic objectives and performance measures, including sustainability, in strategic management.

30. 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:

Learning objective 1.8: Distinguish between corporate-, business- and functional-level strategies, comment on how strategy can be applied in the public sector, and explain the differences between offensive and defensive strategies.

31. 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:

Learning objective 1.8: Distinguish between corporate-, business- and functional-level strategies, comment on how strategy can be applied in the public sector, and explain the differences between offensive and defensive strategies.

32. 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:

Learning objective 1.8: Distinguish between corporate-, business- and functional-level strategies, comment on how strategy can be applied in the public sector, and explain the differences between offensive and defensive strategies.

33. 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:

Learning objective 1.8: Distinguish between corporate-, business- and functional-level strategies, comment on how strategy can be applied in the public sector, and explain the differences between offensive and defensive strategies.

34. 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:

Learning objective 1.8: Distinguish between corporate-, business- and functional-level strategies, comment on how strategy can be applied in the public sector, and explain the differences between offensive and defensive strategies.

**Short answer questions**

35. Why does an organisation need a strategy?

Correct Answer:

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.

36. 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:

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.

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

Correct Answer:

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.

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

Correct Answer:

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.

39. Why is strategy implementation important?

Correct Answer:

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.