

MGT603 Final term 9 papers

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Asma saeed, Anam Aslam, Fariha Maqbool, Chanda Rehman, Ahmed , Syed tauqeer and Kamran Haider

Paper 1

FINAL TERM EXAMINATION
Spring 2010
MGT603- Strategic Management

Question No: 1 (Marks: 1) - Please choose one

Strategist is an individual who is involved in the strategic management process, thus may be known as:

- ▶ Member board of director
- ▶ **President**
- ▶ Division manager
- ▶ All of the given options

(page 6) Strategists are individuals who form strategies. Strategists have various job titles, such as chief executive officer, president, and owner, chair of the board, executive director, chancellor, dean, or entrepreneur.

Question No: 2 (Marks: 1) - Please choose one

The objectives set by a manager should have which of the following characteristics?

- ▶ Should spell out how fast the company's strategy is to be implemented
- ▶ **Should be challenging and congruent among organizational units**
- ▶ Should include long-range performance targets but not short-range targets
- ▶ Should include financial performance targets but not strategic performance targets

Objectives should be challenging, measurable, consistent, reasonable, and clear.

Page#9

Question No: 3 (Marks: 1) - Please choose one

Which of the following is TRUE about anti-trust legislation?

- ▶ The is the law intended to protect the ozone layer in the environment
- ▶ This is the law intended to regulate the tax rates in the economy
- ▶ **This is the law intended to promote free competition in the market**
- ▶ This is the law intended to regulate and register the patents

http://www.audioenglish.net/dictionary/antitrust_legislation.htm

Law intended to promote free competition in the market place by outlawing monopolies

<http://www.thefreedictionary.com/antitrust+legislation>

Question No: 4 (Marks: 1) - Please choose one

Financial ratios are helpful in analyzing the relationship between/among which of the following?

- ▶ All assets and liabilities
- ▶ Profits and costs
- ▶ **All functional areas of business**
- ▶ Sales and profitability

Because, the functional areas of business are so closely related, financial ratios can signal strengths or weaknesses in management, marketing, production, research and development, and computer information systems activities. Page#64

Question No: 5 (Marks: 1) - Please choose one

Which function of management includes areas such as job design, job specification, job analysis and unity of command?

- ▶ Planning
- ▶ Motivating
- ▶ **Organizing**
- ▶ Leading

Organizing includes all those managerial activities that result in a structure of task and authority relationships. Specific areas include organizational design, job specialization, job descriptions, job specifications, span of the control, and unity of command, coordination, job design, and job analysis. PAGE#53

Question No: 6 (Marks: 1) - Please choose one

Distribution includes which of the following?

- ▶ Customer analysis
- ▶ **Warehousing**
- ▶ Advertising
- ▶ Test marketing

Distribution includes warehousing, distribution channels, distribution coverage, retail site locations, sales territories, inventory levels and location, transportation carriers, wholesaling, and retailing. Page#62

Question No: 7 (Marks: 1) - Please choose one

Opportunity analysis is one of the basic functions of which one of the following?

- ▶ Computer information systems
- ▶ **Marketing**
- ▶ Production/operations
- ▶ Research and development

(page 61) There are seven basic functions of marketing:

- (1) Customer analysis,
- (2) Selling products/services,
- (3) Product and service planning,
- (4) Pricing,
- (5) Distribution,
- (6) Marketing research, and
- (7) Opportunity analysis.

Question No: 8 (Marks: 1) - Please choose one

“Max Rent-a-Car” is opening car rental shops in Wal-Mart stores, is an example of which type of strategy?

- ▶ **Forward integration**
- ▶ Backward integration
- ▶ Related diversification
- ▶ Unrelated diversification

Forward Integration	Budget Rent-a-Car is Opening car rental shops in Wal-Mart
Backward Integration	Hotels, Inc. purchased a furniture producer
Horizontal Integration	Federated Department Stores acquired May Department Stores

Question No: 9 (Marks: 1) - Please choose one

_____ refers to a strategy of seeking ownership or increased control over a firm's competitors.

- ▶ Conglomerate diversification
- ▶ Backward integration
- ▶ **Horizontal integration**
- ▶ Concentric diversification

(page 80) **Horizontal Integration: seeking ownership or increased control over a firm's competitors.**

Question No: 10 (Marks: 1) - Please choose one

The company acquires or develops new products that could appeal to its current customer groups even though those new products may be technologically unrelated to the existing product lines. Which of the following best describes the statement?

- ▶ Retrenchment
- ▶ **Horizontal diversification**
- ▶ Market development
- ▶ Horizontal integration

Horizontal diversification: Adding new, unrelated products or services for present customers Page#80

PG#92 Adding new, unrelated products or services for present customers is called horizontal diversification.

http://www.12manage.com/methods_productmarketgrid.html

<http://sellingandmarketing.wordpress.com/page/2/>

Question No: 11 (Marks: 1) - Please choose one

SPACE matrix has four quadrants. All of the following are SPACE Matrix quadrants

EXCEPT:

- ▶ Aggressive
- ▶ Defensive
- ▶ Competitive
- ▶ **Offensive**

(page 100) Four-quadrant named aggressive, conservative, defensive, or competitive strategies

Question No: 12 (Marks: 1) - Please choose one

Which of the following are the two internal dimensions represented on the axes of the SPACE Matrix?

- ▶ Environmental stability and industry strength
- ▶ Industry strength and competitive advantage
- ▶ **Competitive advantage and financial strength**
- ▶ Financial strength and environmental stability

(page 100) (Internal dimensions) financial strength, competitive advantage, (External dimensions) environment stability and industry strength

Question No: 13 (Marks: 1) - Please choose one

SPACE Matrix contains two types of dimensions. Which of the following are the two external dimensions to be considered in SPACE Matrix?

- ▶ **Environmental stability and industry strength**
- ▶ Environmental stability and competitive advantage
- ▶ Industry strength and competitive advantage
- ▶ Industry strength and Financial strength

(page 100) two external dimensions (environmental stability [ES] and industry strength [IS]).

Question No: 14 (Marks: 1) - Please choose one

What type of strategies would you recommend when a firm's SPACE Matrix directional vector has the coordinates (-4, -4)?

- ▶ Aggressive
- ▶ Conservative
- ▶ Competitive
- ▶ **Defensive**

Handout Page#100

Question No: 15 (Marks: 1) - Please choose one

BCG matrix is used in matching stage of strategy formulation framework. It plots the business units along which of the following dimensions?

- ▶ Market share and industry strength
- ▶ **Market share and market growth rate**
- ▶ Market growth rate and competitive position
- ▶ Market growth rate and environment stability

Handout Page#103

Question No: 16 (Marks: 1) - Please choose one

Business units that have low market share and are operating in slow-growing industry should choose all of the following EXCEPT:

- ▶ **New investments (not sure)**
- ▶ Production efficiency
- ▶ Product innovation
- ▶ Distribution efficiency

Question No: 17 (Marks: 1) - Please choose one

When a division of an organization has a high relative market share and is in a fast-growing industry, it will be categorized as which type in BCG matrix?

▶ **Star**

- ▶ Cash cow
- ▶ Question mark
- ▶ Dog

Stars Units with a high market share in a fast-growing industry Page#103

Question No: 18 (Marks: 1) - Please choose one

Which of the following is the first step in developing QSPM?

▶ **Developing a list of the firm's key external and internal factors**

- ▶ Determining the Attractiveness Scores for each strategy
- ▶ Examine the Stage 2 matrices and identify alternative strategies
- ▶ Assigning weights to each key external and internal factor

Stage 1 of the formulation framework consists of the EFE Matrix, the IFE Matrix, and the Competitive Profile Matrix. Called the Input Stage, Stage 1 summarizes the basic input information needed to formulate strategies. Page#97

Question No: 19 (Marks: 1) - Please choose one

Advantages of a functional organization structure would include all EXCEPT which one of the following?

- ▶ Promotes division and specialization of labor
- ▶ Promotes functional rivalry
- ▶ Promotes economic efficiency

▶ **Promotes delegation of authority**

Some disadvantages of a functional structure are that it forces accountability to the top, minimizes career development opportunities, and is sometimes characterized by low employee morale, line/staff conflicts, poor delegation of authority, and inadequate planning for products and markets. Page#118

Question No: 20 (Marks: 1) - Please choose one

Which one of the following is the organizational structure that most of the medium-size organizations follow?

▶ **Divisional structure**

- ▶ Strategic business unit
- ▶ Functional structure
- ▶ Matrix structure

Small firms tend to be functionally structured (centralized). Medium-size firms tend to be divisionally structured (decentralized). Large firms tend to use an SBU (strategic business unit) or matrix structure. Page#117

Question No: 21 (Marks: 1) - Please choose one

A divisional structure by geographic area is most appropriate in which of the following situation?

▶ **Organizations have similar branch facilities in dispersed areas**

- ▶ Organization offers a limited number of products or services
- ▶ Organization needs strict control over product lines
- ▶ Organization has to serve a large geographic area

A divisional structure by geographic area is appropriate for organizations whose

strategies need to be tailored to fit the particular needs and characteristics of customers in different geographic areas. This type of structure can be most appropriate for organizations that have similar branch facilities located in widely dispersed areas Page#119

Question No: 22 (Marks: 1) - Please choose one

Which of the following is best identified as being an adaptation of the divisional structure?

- ▶ Vertical Integration
- ▶ Strategic business units
- ▶ Joint venture
- ▶ None of the given options

Question No: 23 (Marks: 1) - Please choose one

“Performance comparison of organization business processes against an internal or external standard of recognized leaders.” Identify the term relevant to the specified statement.

- ▶ Restructuring
- ▶ Process redesign
- ▶ Reengineering
- ▶ **Benchmarking**

Benchmarking: performance comparison of organizational business processes against an internal or external standard of recognized leaders most often the comparison is made against a similar process in another organization considered "world class."

http://www.adamssixsigma.com/Glossary_of_terms/six_sigma_glossary_B.htm

Question No: 24 (Marks: 1) - Please choose one

After completing an EPS/EBIT analysis, what conclusions would you make if the debt line is above the stock line throughout the range of EBIT on the graph?

- ▶ **Debt appears to be the best financing alternative**
- ▶ Stock would be the best financing alternative
- ▶ Combination of debt and stock is the best financial alternative
- ▶ Dividends must be considered before concluding

CHAPTER 8 (Q# 86 &87)

Question No: 25 (Marks: 1) - Please choose one

What is a central strategy-implementation technique that allows an organization to examine the expected results of various actions and approaches?

- ▶ Financial budgeting
- ▶ TOWS analysis
- ▶ **Projected financial statement**
- ▶ External analysis

Pro forma (projected) financial statement analysis is a central strategy-implementation technique because it allows an organization to examine the expected results of various actions and approaches. Page#136

Question No: 26 (Marks: 1) - Please choose one

Retained earnings are obtained by subtracting which of the two items?

- ▶ **Dividends from Net Income**

- ▶ EBIT from Net Income
- ▶ Taxes from EBIT
- ▶ Interest Expense from EBIT

Retained earning = beginning retained earning + net income – dividend

Question No: 27 (Marks: 1) - Please choose one

XYZ Company has controlled its distributors so that no other firm can access the scarce natural resources available in the country, which are used in XYZ's production. This action is taken in order to reduce which of the following:

- ▶ The bargaining power of customers
- ▶ The bargaining power of suppliers
- ▶ The threat of new entrants
- ▶ The threat of substitute products

Question No: 28 (Marks: 1) - Please choose one

While evaluating a strategy, corrective actions are almost always needed EXCEPT:

- ▶ **When external and internal factors have not significantly changed**
- ▶ When the firm is not progressing satisfactorily toward objectives
- ▶ When the firm has not achieved the stated organizational goals
- ▶ When there are differences between desired results and achieved results

Page#146 Corrective actions are almost always needed except when

- (1) external and internal factors have not significantly changed and
- (2) The firm is progressing satisfactorily toward achieving stated objectives.

Question No: 29 (Marks: 1) - Please choose one

Outbound logistics includes which one of the following?

- ▶ Receiving, storing, inventory control, transportation planning
- ▶ Machining, packaging, assembly, equipment maintenance, testing
- ▶ **Activities required to get the finished product at the customers**
- ▶ Activities that maintain and enhance the product's value

Outbound Logistics: The activities required to get the finished product at the customers: warehousing, order fulfillment, transportation, distribution management Page#147

Question No: 30 (Marks: 1) - Please choose one

Which of the following statement is correct about operations?

- ▶ It includes receiving, storing, inventory control & transportation planning
- ▶ **It includes machining, packaging, assembling, maintaining equipment & testing**
- ▶ It includes the activities required to get the finished product at the customers
- ▶ It includes the activities that maintain and enhance the product's value

(page 147) Operations: Includes machining, packaging, assembly, equipment maintenance, testing and all other value-creating activities that transform the inputs into the final product.

Question No: 31 (Marks: 1) - Please choose one

All of the following are support activities of Porter's supply chain model EXCEPT:

- ▶ Firm Infrastructure
- ▶ **Marketing and Sales**
- ▶ Technology Development
- ▶ Procurement

Page#147 Support activities (Staff functions, overhead)

Procurement:

Technology Development:

Human Resource Management:

Firm Infrastructure

Question No: 32 (Marks: 1) - Please choose one

The product design, packaging, product disposal and corporate rewards should reflect which of the following?

- ▶ Product quality consideration
- ▶ Union consideration
- ▶ **Environmental consideration**
- ▶ Customer consideration

Page#156Product design, manufacturing, transportation, customer use, packaging, product disposal, and corporate rewards and sanctions should reflect environmental considerations.

Question No: 33 (Marks: 1) - Please choose one

Adapting to change confronts an organization's strategic management to which of the following issue(s):

- ▶ What kind of business we should be in?
- ▶ Are we in the right field?
- ▶ Should we reshape our business?
- ▶ **All of the given options**

The need to adapt to change leads organizations to key strategic management questions, such as "What kind of business should we become?" "Are we in right field?" "Should we reshape our business?" "Are new technologies being developed that could put us out of business?" Page#06

Question No: 34 (Marks: 1) - Please choose one

Which of the following is TRUE about Vision statement of a company?

- ▶ It defines the customers
- ▶ **It concentrates on future**
- ▶ It identifies critical processes
- ▶ It informs about the desired level of performance

A vision statement is sometimes called a picture of your company in the future but it's so much more than that. Page#18

Question No: 35 (Marks: 1) - Please choose one

Mission of a business is the foundation of all of the following EXCEPT:

- ▶ Priorities
- ▶ Strategies
- ▶ Plans
- ▶ **Wages**

A clear mission statement describes the values and priorities of an organization. Developing a mission statement compels strategists to think about the nature and scope of present operations.

Page#07

Question No: 36 (Marks: 1) - Please choose one

Which of the following is FALSE about vision and mission statements?

► **Vision statement gives the overall purpose of an organization while a mission statement describes a picture of the preferred future**

► A vision statement describes how the future will look if the organization achieves its mission and a mission statement explains what the organization does

► Mission statement answers the questions what is our business and the vision statement answers the question what do we want to become

► Mission statement explains the current position and activities of a firm whereas vision statement explains the future objective

Question No: 37 (Marks: 1) - Please choose one

The in-house R&D is a preferred solution in which of the following situations?

► **Technological progress is slow and market growth is moderate**

► Technology is changing rapidly and market is growing slowly

► Technology is changing slowly and market is growing quickly

► Both technological progress and market growth rate are fast

If the rate of technical progress is slow, the rate of market growth is moderate, and there are significant barriers to possible new entrants, then in-house R&D is the preferred solution. Page#141

Question No: 38 (Marks: 1) - Please choose one

Identify a strategy which uses firm's internal strengths to take advantage of external opportunities.

► **SO**

► WO

► SW

► WT

Chapter 6 Strategy Analysis & Choice

Question No: 39 (Marks: 1) - Please choose one

Which of the following includes the set of shared values, beliefs, attitudes, customs, norms, personalities, heroes and heroines that describe a firm?

► Strategy

► **Culture**

► Mission

► Objectives

Cultural products include values, beliefs, rites, rituals, ceremonies, myths, stories, legends, sagas, language, metaphors, symbols, heroes, and heroines. Page#52

Question No: 40 (Marks: 1) - Please choose one

The culture of a firm is important when considering strategies because:

► **Cultural products can support strategies so managers can often implement changes swiftly and easily**

► Everyone in the firm should have a vote as to which strategies to implement

► Culture can dictate the choice of strategies

► Employees always welcome cultural change

(page 96)<http://www.scribd.com/doc/30802064/43/Cultural-Aspects-of-Strategy-Choice>

Question No: 41 (Marks: 1) - Please choose one

Which of the following is NOT a major factor that commonly prohibits effective resource allocation?

- ▶ Overprotection of resources
- ▶ Organizational politics
- ▶ Vague strategy targets
- ▶ **Ability to take risks**

A number of factors commonly prohibit effective resource allocation, including an overprotection of resources, too great an emphasis on short-run financial criteria, organizational politics, vague strategy targets, a reluctance to take risks, and a lack of sufficient knowledge Page#116

Question No: 42 (Marks: 1) - Please choose one

Which of the following best describes “Just in time”?

- ▶ implementing strategies just before bankruptcy
- ▶ **delivering materials just as they are needed**
- ▶ a scheduling method for meetings
- ▶ a personnel planning method

With JIT, parts and materials are delivered to a production site just as they are needed, rather than being stockpiled as a hedge against later deliveries Page#127

Question No: 43 (Marks: 1) - Please choose one

Which of the following factors should be studied before locating production facilities?

- ▶ Availability of major resources
- ▶ Location of major markets
- ▶ Availability of trainable employees
- ▶ **All of the given options**

<http://jpkc.usc.edu.cn/ec2006/C293/course/ketangjxshow.asp?id=16753>

(P#37)

Question No: 44 (Marks: 1) - Please choose one

All of the following are strategic responsibilities of the human resource manager EXCEPT:

- ▶ Assessment of staff needs
- ▶ Assessment of costs for alternative strategies
- ▶ Development of staffing plan
- ▶ Development of financial plan
- ▶ **Development of financial plan**

Staffing need of the organization and its cost is an important function of the human resource manager. The other main concerns include health, safety and security of the workers. The plan must also include how to motivate employees and managers during a time when layoffs are common and workloads are high page#127

Question No: 45 (Marks: 1) - Please choose one

Identify a reason due to which market segmentation is considered to be an important variable in strategy implementation.

- ▶ All company strategies require increased sales through new markets and products
- ▶ It allows a firm to operate with limited resources
- ▶ Market segmentation decisions directly affect marketing mix variables
- ▶ **All of the given options**

Page#131 Market segmentation is an important variable in strategy implementation for at least three major reasons:

1. First, strategies such as market development, product development, market penetration, and diversification require increased sales through new markets and products.
2. Second, market segmentation allows a firm to operate with limited resources because mass production, mass distribution, and mass advertising are not required.
3. Finally, market segmentation decisions directly affect marketing mix variables: product, place, promotion, and price

Question No: 46 (Marks: 1) - Please choose one

All of the following are the qualitative questions for evaluating strategies identified by Seymour Tiles EXCEPT:

- ▶ Is the strategy internally consistent?
- ▶ **Is the strategy having an appropriate return on investment?**
- ▶ Is the strategy consistent with the environment?
- ▶ Is the strategy appropriate in view of available resources?

Seymour Tiles identified six qualitative questions that are useful in evaluating strategies:

- 1. Is the strategy internally consistent?**
- 2. Is the strategy consistent with the environment?**
- 3. Is the strategy appropriate in view of available resources?**
- 4. Does the strategy involve an acceptable degree of risk?**
- 5. Does the strategy have an appropriate time framework?**
- 6. Is the strategy workable?**

Question No: 47 (Marks: 1) - Please choose one

Which of the following is defined as having alternative plans that can be put into effect if certain key events do not occur as expected?

- ▶ corporate agility
- ▶ Scenario planning
- ▶ Forecasting
- ▶ **Contingency planning**

Contingency plans can be defined as alternative plans that can be put into effect if certain key events do not occur as expected. Page#155

Question No: 48 (Marks: 1) - Please choose one

All of the following are key financial ratios EXCEPT:

- ▶ Market share
- ▶ **Production quality**
- ▶ Earnings per share
- ▶ Return on equity

Page#151 Some key financial ratios that are particularly useful as criteria for strategy evaluation are as follows:

1. Return on investment
2. Return on equity
3. Profit margin
4. Market share
5. Debt to equity
6. Earnings per share

- 7. Sales growth
- 8. Asset growth

Paper 2

FINAL TERM EXAMINATION

Spring 2010

MGT603- Strategic Management (Session - 3)

Question No: 1 (Marks: 1) - Please choose one

Concentric Diversification involves heading towards which of the following?

▶ **Adding new, but related, products or services**

- ▶ Adding new, unrelated products or services
- ▶ Regrouping through cost and asset reduction
- ▶ Adding unrelated products or services for new customers

(page 80) Concentric Diversification

Adding new, but related, products or services

Question No: 2 (Marks: 1) - Please choose one

Which of the following is often considered the first step in strategic planning?

▶ **Devising a mission statement**

- ▶ Developing a vision statement
- ▶ Setting annual objectives
- ▶ Formulating set of strategies

Developing a vision statement is often considered the first step in strategic planning

Page#6

Question No: 3 (Marks: 1) - Please choose one

Which of the following can be considered as a factor of internal strengths and weaknesses of an organization?

▶ Technological changes

▶ **Production/operations**

- ▶ Demographics
- ▶ Competitive trends

They arise in the management, marketing, finance/accounting, production/operations, research and development, and computer information systems activities of a business.

Page#08

Question No: 4 (Marks: 1) - Please choose one

Long-term objectives include all of the following except:

▶ Measurable

▶ Reasonable

▶ **Varying**

▶ Consistent

(P# 9) The Nature of Long-Term Objectives should be quantitative, measurable, realistic, understandable, challenging, hierarchical, obtainable, and congruent among organizational units.

Question No: 5 (Marks: 1) - Please choose one

All of the following statements are true about a firm's mission statement EXCEPT:

▶ **A mission statement directly contributes positively to financial performance**

▶ A mission statement does not directly contribute positively to financial

performance

- ▶ A mission statement should not provide useful criteria for selecting among alternative strategies

- ▶ Primary reason to develop a mission statement is not to attract the customers

Question No: 6 (Marks: 1) - Please choose one

According to 'Peter Drucker', what is the prime task of strategic management?

- ▶ To develop the vision of the business

- ▶ effectively evaluate the strategies

- ▶ **To think through the overall mission of a business**

- ▶ Develop alternative set of strategies

Peter Drucker says: "The prime task is to think through the overall mission of a business". Page#04

Question No: 7 (Marks: 1) - Please choose one

"A complex set of basic underlying assumptions and deeply held beliefs shared by all members of the group and drive in important ways the behavior of individuals in the organizational context" is known as:

- ▶ Internal audit

- ▶ **Organizational culture**

- ▶ Internal assessment

- ▶ Organizational strategy

Organizational Culture - Organizational Culture is a complex set of basic underlying assumptions and deeply held beliefs shared by all members of the group that operate at a preconscious level and drive in important ways the behavior of individuals in the organizational context.

http://www.ampolbiz.com/consulting/resources/strategy_glossary.htm

Question No: 8 (Marks: 1) - Please choose one

Which of these is the allocation and reallocation of capital and resources to projects, products, assets and divisions of an organization?

- ▶ **Investment decision**

- ▶ Financing decisions

- ▶ Restructuring decisions

- ▶ Strategic decision

Page#64 The investment decision, also called capital budgeting, is the allocation and reallocation of capital and resources to projects, products, assets, and divisions of an organization.

Question No: 9 (Marks: 1) - Please choose one

Amir, a sole proprietor, uses the information system to ask the question; "What if the prices will decrease by 16% in the next year?" Which of the following functions the information system is performing for Amir?

- ▶ Functional support role

- ▶ **Decisional support role**

- ▶ Managerial support role

- ▶ Analytical supporting role

Decisional support role: It allows users to ask very powerful "What if...?"

questions: What if we increase the price by 5%? What if we increase price by 10%?

What if we decrease price by 5%? Page#73

Question No: 10 (Marks: 1) - Please choose one

Which of the following is sometimes referred as “the mystery approach to decision making, when subordinates are left to figure out what is happening and why”?

- ▶ Managing by hope
- ▶ Managing by extrapolation
- ▶ Managing by crisis
- ▶ **Managing by subjective**

PG#79 Managing by Subjective—built on the idea that there is no general plan for which way to go and what to do; just do the best you can to accomplish what you think should be done. In short, "Do your own thing, the best way you know how" (sometimes referred to as the mystery approach to decision making because subordinates are left to figure out what is happening and why).

Question No: 11 (Marks: 1) - Please choose one

The purpose of an external audit is to prepare a list of which of the following?

- ▶ Opportunities and weaknesses
- ▶ Threats and strengths
- ▶ **Opportunities and threats**
- ▶ Strengths and weaknesses

Question No: 12 (Marks: 1) - Please choose one

Defensive strategies include all of the following EXCEPT:

- ▶ Retrenchment
- ▶ **Acquisition**
- ▶ Divestiture
- ▶ Liquidation

(page 92) In addition to integrative, intensive, and diversification strategies, organizations also could pursue retrenchment, divestiture, or liquidation.

Question No: 13 (Marks: 1) - Please choose one

Smoothies Tire & Rubber Co. is selling its North American tire business to Avinza International, is an example of which type of strategy?

- ▶ Related diversification
- ▶ Retrenchment
- ▶ **Divestiture**
- ▶ Liquidation

Selling a division or part of an organization is called divestiture. Page#94

Question No: 14 (Marks: 1) - Please choose one

Which stage of the “Strategy Formulation Framework” includes an External Factor Evaluation Matrix and a Competitive Profile Matrix?

- ▶ Matching
- ▶ Decision
- ▶ **Input**
- ▶ All of the given options

Stage 1 of the formulation framework consists of the EFE Matrix, the IFE Matrix, and the Competitive Profile Matrix, Called the Input Stage. Page#97

Question No: 15 (Marks: 1) - Please choose one

Which one of the followings is a sign of strength in a company's competitive position?

- ▶ A website with extensive information about the company and its product line

- ▶ Annual R&D and advertising expenditures greater than Rs.10 million
- ▶ **A strongly differentiated product, a strong or rising market share**
- ▶ A debt-to-asset ratio below 0.50 and a positive net cash flow and higher EPS

(p#17 Q#3)<http://www.scribd.com/doc/25776923/-Question-Bank-of-Production-Operations-Mngt-1-2-Mark>

Question No: 16 (Marks: 1) - Please choose one

Firm with its SPACE matrix vector in conservative quadrant should peruse all of the following strategies EXCEPT:

- ▶ Market penetration
- ▶ Product development
- ▶ Market development
- ▶ **Divestiture**

Conservative strategies most often include market penetration, market development, product development and concentric diversification

http://www.researchandwriting.org/index2.php?option=com_content&do_pdf=1&id=32

Question No: 17 (Marks: 1) - Please choose one

All of the following would be considered while judging the financial strength of an organization EXCEPT:

- ▶ Increase in revenues
- ▶ **Market share**
- ▶ Return on Investment
- ▶ Cash flow statement

[Handout Page#101](#)

Question No: 18 (Marks: 1) - Please choose one

What type of strategies would you recommend when a firm's SPACE Matrix directional vector has the coordinates (-4, -4)?

- ▶ Aggressive
- ▶ Conservative
- ▶ Competitive
- ▶ **Defensive**

[Handout Page#100](#)

Question No: 19 (Marks: 1) - Please choose one

All of the following are the limitations of BCG Matrix except:

- ▶ It is one-dimensional to view every business as a star, cash cow, dog or question mark
- ▶ **BCG can not be developed if a firm has at least less than three years data**
- ▶ The businesses that fall in the centre of BCG matrix can not be classified
- ▶ Other variables such as size of market and competitive advantages are not considered

Limitations

1. Viewing every business as a star, cash cow, dog, or question mark is overly simplistic.
2. Many businesses fall right in the middle of the BCG matrix and thus are not easily classified.
3. The BCG matrix does not reflect whether or not various divisions or their industries are growing over time.
4. Other variables besides relative market share position and industry growth rate in sales are important in making strategic decisions about various divisions.

Question No: 20 (Marks: 1) - Please choose one

Which one of the following is NOT a major region of IE matrix?

- ▶ Grow and build
- ▶ **Grow and maintain**
- ▶ Hold and maintain
- ▶ Harvest or divest

(page 106) IE Matrix divided into three major regions.

Grow and build – Cells I, II, or IV

Hold and maintain – Cells III, V, or VII

Harvest or divest – Cells VI, VIII, or IX

Question No: 21 (Marks: 1) - Please choose one

Which of the following strategy should be perused first by the Irtiza Insurance Company as it is located in Quadrant III of the Grand Strategy Matrix?

- ▶ Diversification
- ▶ Liquidation
- ▶ **Retrenchment**
- ▶ Divestiture

(page 108) Extensive cost and asset reduction (retrenchment) should be pursued first.

Question No: 22 (Marks: 1) - Please choose one

According to the Grand Strategy Matrix, in which quadrant organizations have a strong competitive position but are in a slow-growth industry?

- ▶ I
- ▶ II
- ▶ III
- ▶ **IV**

(page 108)Quadrant IV businesses have a strong competitive position but are in a slow-growth industry.

Question No: 23 (Marks: 1) - Please choose one

Which of the following is TRUE about weights assigned in QSPM?

- ▶ This refers to preference assigned to the internal and external factors
- ▶ **This refers to relative importance of the internal and external factors**
- ▶ This refers to the insignificance of the internal and external factors
- ▶ This refers to the relative size of the internal and external factors

The weight assigned to a given factor indicates the relative importance of the factor to being successful in the firm's industry .Page#47

Question No: 24 (Marks: 1) - Please choose one

Which of the following is a Functional level objective?

- ▶ Achieving return on investment of at least 15%
- ▶ **Aiming to achieve a market share of 10%**
- ▶ Attaining operating profit of over Rs.10 million
- ▶ Increase earnings per share by at least 10% every

Page#113 Functional level Objective

Examples of functional marketing objectives” might include:

- We aim to build customer database of at least 250,000 households within the next 12 months
- We aim to achieve a market share of 10%
- We aim to achieve 75% customer awareness of our brand in our target markets

Question No: 25 (Marks: 1) - Please choose one

All of the following are the examples of promotion decision EXCEPT:

- ▶ Personal selling
- ▶ **Volume discounts**
- ▶ Public relations
- ▶ Advertising

(Page#133)Promotional strategy (push, pull, etc.)

- Advertising
- Personal selling & sales force
- Sales promotions
- Public relations & publicity
- Marketing communications budget

Question No: 26 (Marks: 1) - Please choose one

Which alternative becomes more attractive financing technique when cost of capital is high?

- ▶ Debt financing
- ▶ Combination financing
- ▶ **Raising equity**
- ▶ Borrowing

Question No: 27 (Marks: 1) - Please choose one

Which of the following is the first step in preparing a pro forma financial analysis?

- ▶ Prepare the projected balance sheet
- ▶ Perform EPS/EBIT analysis
- ▶ Calculate the projected net income
- ▶ **Prepare the projected income statement**

Page#138 There are six steps in performing pro forma financial analysis:

1. Prepare income statement before balance sheet (forecast sales)
2. Use percentage-of-sales method to project CGS and expenses
3. Calculate projected net income
4. Subtract dividends to be paid from Net Income and add remaining to Retained Earnings
5. Project balance sheet times beginning with retained earnings
6. List comments (remarks) on projected statements.

Question No: 28 (Marks: 1) - Please choose one

What is a central strategy-implementation technique that allows an organization to examine the expected results of various actions and approaches?

- ▶ Financial budgeting
- ▶ TOWS analysis
- ▶ **Projected financial statement**
- ▶ External analysis

(P# 136) Pro forma (projected) financial statement analysis is a central strategy-implementation technique because it allows an organization to examine the expected results of various actions and approaches.

Question No: 29 (Marks: 1) - Please choose one

In preparing projected statements, to project cost of goods sold and the expense items in the income statement, which of the following is recommended?

- ▶ Use the net worth method

- ▶ EPS/EBIT analysis
- ▶ **Use percentage-of-sales method**
- ▶ Use price-earnings ratio method

(Q#6)http://wps.prenhall.com/bp_david_sm_10/23/5993/1534309.cw/content/index.html

Question No: 30 (Marks: 1) - Please choose one

Integrative, intensive, and diversification strategies are often implemented by which one of the followings?

- ▶ Liquidating firms
- ▶ **Acquiring firms**
- ▶ Venturing firms
- ▶ Small firms

Evaluating the worth of a business is central to strategy implementation because integrative, intensive, and diversification strategies are often implemented by acquiring other firms. Page#139

Question No: 31 (Marks: 1) - Please choose one

At least how many approaches are used for the implementation of strategy?

- ▶ Two
- ▶ **Three**
- ▶ Four
- ▶ Five

http://books.google.com/books?id=s2CiTcUT6PIC&pg=PA331&dq=implementation+of+strategy+are+used+Three+approaches&hl=en&ei=PsfrTfDCBIbtrAfYvcHgBQ&sa=X&oi=book_result&ct=result&resnum=2&ved=0CC4Q6AEwAQ#v=onepage&q=implementation%20of%20strategy%20are%20used%20Three%20approaches&f=false

Question No: 32 (Marks: 1) - Please choose one

Managerial disorder and strategic deviation will appear if there is power struggle and conflicts among the departments of organization. The situation negates which one of the Rumelt's criteria?

- ▶ **Consistency**
- ▶ Consonance
- ▶ Feasibility
- ▶ Advantage

Consistency: Strategy should not present inconsistent goals and policies. Conflict and interdepartmental bickering symptomatic of managerial disorder and strategic inconsistency Page#149

Question No: 33 (Marks: 1) - Please choose one

While evaluating a strategy, corrective actions are almost always needed except:

- ▶ **When external and internal factors have not significantly changed**
- ▶ When the firm is not progressing satisfactorily toward objectives
- ▶ When the firm has not achieved the stated organizational goals
- ▶ When there are differences between desired results and achieved results

Corrective actions are almost always needed except when

(1) external and internal factors have not significantly changed and
(2) The firm is progressing satisfactorily toward achieving stated objectives. Page#146

Question No: 34 (Marks: 1) - Please choose one

All of the following are the examples of service activity of Porter's supply chain model EXCEPT:

- ▶ Customer support
- ▶ **Packaging**
- ▶ Repair services
- ▶ Installation

Service: the activities that maintain and enhance the product's value, including: customer support, repair services, installation, training, spare parts management, upgrading, etc.

Question No: 35 (Marks: 1) - Please choose one

All of the following are primary activities of Porter's supply chain model EXCEPT:

- ▶ Marketing and Sales
- ▶ Outbound Logistics
- ▶ **Firm Infrastructure**
- ▶ Inbound Logistics

(Handout page 147)

Question No: 36 (Marks: 1) - Please choose one

Which of the following statement is TRUE about Inbound Logistics?

- ▶ **It includes receiving, storing, inventory control & transportation planning**
- ▶ It includes machining, packaging, assembly, equipment maintenance & testing
- ▶ It includes activities required to deliver the finished product to the customers' end
- ▶ It includes the activities that maintain and enhance the product's value

(page 147)Inbound Logistics. Includes receiving, storing, inventory control, transportation planning.

Question No: 37 (Marks: 1) - Please choose one

A revised EFE Matrix should focus on which of the following?

- ▶ Changes in the organization's management, marketing R & D, computer information system and environment
- ▶ Marketing, finance/accounting, production/operations, R&D and computer information systems strengths and weaknesses
- ▶ **Effectiveness of a firm's strategies in response to key opportunities and threats**

▶ Effectiveness of an organization's strategy in pursuing the competitive goals and managerial actions

A revised EFE Matrix should indicate how effective a firm's strategies have been in response to key opportunities and threats. Page#150

Question No: 38 (Marks: 1) - Please choose one

The product design, packaging, product disposal and corporate rewards should reflect which of the following?

- ▶ Product quality consideration
- ▶ Union consideration
- ▶ **Environmental consideration**
- ▶ Customer consideration

Page#156 Product design, manufacturing, transportation, customer use, packaging, product disposal, and corporate rewards and sanctions should reflect environmental

considerations.

Question No: 39 (Marks: 1) - Please choose one

Which of the following is TRUE about Vision statement of a company?

- ▶ It defines the customers
- ▶ **It concentrates on future**
- ▶ It identifies critical processes
- ▶ It informs about the desired level of performance

Question No: 40 (Marks: 1) - Please choose one

Alternative strategy is decided in decision stage of Strategy-Formulation Framework.

Which matrix is used in this stage to serve this purpose?

- ▶ BCG Matrix
- ▶ SPACE Matrix
- ▶ IE Matrix
- ▶ **QSPM Matrix**

Page#110 The Quantitative Strategic Planning Matrix (QSPM)

The last stage of strategy formulation is decision stage. In this stage it is decided that which way is most appropriate or which alternative strategy should be select. This stage contains QSPM that is only tool for objective evaluation of alternative strategies.

(slide 53)

http://docs.google.com/viewer?a=v&q=cache:sdfMsIAha04J:www.csun.edu/~hcmgt004/chap06.ppt+Alternative+strategy+is+decided+in+decision+stage+of+Strategy-Formulation+Framework&hl=en&pid=bl&srcid=ADGEESgzjnSpqCeD2kg5z1Df11AczBh2YSO_0Bah6e-1-69WNEQkOHu0Njsxgzm5Py4xYBZ0E1QeYr26wo9J4CrM0fDgRe-clpPclqeyUFyuygEQJ8vBWYC2rWqy7ckV7ExXwEt5pCg&sig=AHIEtbT93oyuCMxhGk68Ck-5Sbq3FeLykQ

Question No: 41 (Marks: 1) - Please choose one

Input stage of strategy formulation framework includes developing which of the following set of matrices?

- ▶ IFE, EFE and QSPM matrix
- ▶ IFE, IE and BCG matrix
- ▶ **IFE, CPM and EFE matrix**
- ▶ EFE, IE and CPM matrix

Stage 1 of the formulation framework consists of the EFE Matrix, the IFE Matrix, and the Competitive Profile Matrix. Called the Input Stage. Page#97

Question No: 42 (Marks: 1) - Please choose one

Identify a case when a firm should adopt aggressive strategies.

- ▶ **If a firm's directional vector is located in upper-right quadrant of a SPACEs matrix**
- ▶ If a firm's directional vector is located in upper-left quadrant of a SPACE matrixs
- ▶ If a firm's directional vector is located in lower-right quadrant of a SPACE matrixs
- ▶ If a firm's directional vector is located in lower-left quadrant of a SPACE matrixs

Some examples of strategy profiles that can emerge from a SPACE analysis are shown in Figure 6-6. The directional vector associated with each profile suggests the type of strategies to pursue: aggressive, conservative, defensive, or competitive. When a firm's

directional vector is located in the aggressive quadrant (upper-right quadrant) of the SPACE Matrix, an organization is in an excellent position to use its internal strengths to (1) take advantage of external opportunities, (2) overcome internal weaknesses, and (3) avoid external threats. Therefore, market penetration, market development, product development, backward integration, forward integration, horizontal integration, conglomerate diversification, concentric diversification, horizontal diversification, or a combination strategy all can be feasible, depending on the specific circumstances that face the firm

<http://www.scribd.com/doc/43455441/1-Strategy-Analysis-and-Choice>

Question No: 43 (Marks: 1) - Please choose one

Firms located in which quadrant of the Grand Strategy Matrix are in an excellent strategic position?

► I

► II

► III

► IV

Firms located in Quadrant I of the Grand Strategy Matrix are in an excellent strategic position. Page#107

Question No: 44 (Marks: 1) - Please choose one

Which of the following is the best divisional structure when a few major customers are of paramount importance and many different services are provided to these customers?

► By geographic area

► **By customer**

► By product

► By process

When a few major customers are of paramount importance and many different services are provided to these customers, then a divisional structure by customer can be the most effective way to implement strategies.

Question No: 45 (Marks: 1) - Please choose one

How can an ESOP empower employees?

► **It empowers employees to work as owners**

► It empowers employees to make financial plan

► It empowers employees to assess customer's needs

► It empowers employees to give training to other workers

An employee stock ownership plan (ESOP), are corporations owned in whole or in part by their employees. Employees are usually given a share of the corporation after a certain length of employment or they can buy shares at any time. Page#128

Question No: 46 (Marks: 1) - Please choose one

All of the following steps are required in product positioning EXCEPT:

► Select key criteria that effectively differentiate products or services in the industry

► **Position your firm in the middle of the map**

► Plot major competitors' products or services in the resultant matrix

► Identify areas in the positioning map where the company's products or services could be most competitive in the given target market

The following steps are required in product positioning: Page#134

1. Select key criteria that effectively differentiate products or services in the industry.
2. Diagram a two-dimensional product-positioning map with specified criteria on each axis.
3. Plot major competitors' products or services in the resultant four-quadrant matrix.
4. Identify areas in the positioning map where the company's products or services could be most competitive in the given target market. Look for vacant areas (niches).
5. Develop a marketing plan to position the company's products or services appropriately.

Question No: 47 (Marks: 1) - Please choose one

Some potential problems associated with using quantitative criteria for evaluating strategies include all of the following EXCEPT:

- ▶ Most quantitative criteria are geared to annual objectives rather than long-term objectives
- ▶ **These ratios use qualitative data for evaluating strategies which often is not available**
- ▶ Different accounting methods can provide different results on many quantitative criteria

▶ Intuitive judgments are almost always involved in deriving quantitative criteria
 There are some potential problems associated with using quantitative criteria for evaluating strategies. First, most quantitative criteria are geared to annual objectives rather than long-term objectives. Also, different accounting methods can provide different results on many quantitative criteria. Third, intuitive judgments are almost always involved in deriving quantitative criteria. Page#151

Question No: 48 (Marks: 1) - Please choose one

Which of the following is MOST appropriate about financial ratios?

- ▶ **Compare a firm's performance with competitors**
- ▶ Compare a firm's performance with suppliers
- ▶ Compare a firm's performance with non-financial ratios
- ▶ Compare a firm's performance with business standards

(page 151) Quantitative criteria commonly used to evaluate strategies are financial ratios, which strategists use to make three critical comparisons: (1) comparing the firm's performance over different time periods, (2) comparing the firm's performance to competitors', and (3) comparing the firm's performance to industry averages.

Paper 3

FINAL TERM EXAMINATION

Spring 2010

MGT603- Strategic Management (Session - 4)

Question No: 1 (Marks: 1) - Please choose one

Which of the following is often considered the first step in strategic planning?

- ▶ Devising a mission statement
- ▶ **Developing a vision statement**
- ▶ Setting annual objectives

- ▶ Formulating set of strategies

Developing a vision statement is often considered the first step in strategic planning

Page#6

Question No: 2 (Marks: 1) - Please choose one

External opportunities and threats that can significantly benefit or harm an organization may include all of the following EXCEPT:

- ▶ Demographics
- ▶ Competitive trends
- ▶ Technological changes

▶ **Research and development**

Page#07 External opportunities and external threats refer to economic, social, cultural, demographic, environmental, political, legal, governmental, technological, and competitive trends and events that could significantly benefit or harm an organization in the future.

Question No: 3 (Marks: 1) - Please choose one

What will happen to the Pakistani exports in overseas markets when there is a strong value of rupee?

- ▶ Pakistani exports will be less expensive
- ▶ **Pakistani exports will be more expensive**
- ▶ Pakistani exports will be more attractive
- ▶ Pakistani exports will be desirable

Question No: 4 (Marks: 1) - Please choose one

Which of the following can be considered as barriers to entering a market or industry?

- ▶ The lack of economies of scale and experience and low levels of brand loyalty
- ▶ The presence of large number of rivals already in the industry
- ▶ **Relatively large capital requirements and industry have economies of scale**
- ▶ The absence of tariffs, trade restrictions, and/or government-mandated regulations

Reason : Relatively large capital requirements and the fact that firms in the industry hold key patents and/or possess significant proprietary technology and/or have skills and know-how not readily available to a newcomer are considered to be barriers to enter a market or an industry.

(Q#12 and answer page#7) <http://www.scribd.com/doc/11569096/MB311-Jan-04>

Question No: 5 (Marks: 1) - Please choose one

Which of the following are signs of strength in a company's competitive position?

- ▶ A debt-to-asset ratio below 0.50 and a positive net cash flow
- ▶ A website with extensive information about the company and its product line
- ▶ R&D and advertising expenditures greater than \$10 million annually
- ▶ **A strongly differentiated product and a strong or rising market share**

Question No: 6 (Marks: 1) - Please choose one

Distribution includes which of the following?

- ▶ Customer analysis
- ▶ **Warehousing**
- ▶ Advertising
- ▶ Test marketing

Question No: 7 (Marks: 1) - Please choose one

The IFE matrix summarizes and evaluates which factors in the functional areas of a business?

- ▶ Opportunities and threats
- ▶ **Strengths and weaknesses**
- ▶ Strengths and threats
- ▶ Opportunities and weaknesses

Question No: 8 (Marks: 1) - Please choose one

The Web sites that sell products directly to the consumers are the examples of which type of strategy?

- ▶ Backward integration
- ▶ Product development
- ▶ **Forward integration**
- ▶ Horizontal integration

Page#81

Forward integration strategy refers to the transactions between the customers and firm. Similarly, the function for the particular supply which the firm is being intended to involve itself will be called backward integration

Question No: 9 (Marks: 1) - Please choose one

Which of the following is a drawback or limitation of Horizontal Integration?

- ▶ **Synergies may be more imaginary than real**
- ▶ It can increase suppliers' and buyers' bargaining power
- ▶ Economies of scale are likely to be decreased
- ▶ Both the first & third options are correct

http://www.12manage.com/methods_horizontal_integration.html

Disadvantage of Horizontal integration:

Synergies maybe more imaginary than real

Substitutes market is often very different. Challenge occurs to management during acquisition. Reduction in competition may lead to anti-trust issues.

Question No: 10 (Marks: 1) - Please choose one

A Cost Leadership Strategy is especially effective in all of the following situations EXCEPT:

- ▶ When the market is composed of many price-sensitive buyers
- ▶ **When product differentiation can be easily achieved**
- ▶ When buyers do not care much about differences from brand to brand
- ▶ When there are a large number of buyers with significant bargaining power

Page#86 Successful implementation also benefits from:

- Process engineering skills
- Products designed for ease of manufacture
- Sustained access to inexpensive capital
- Close supervision of labor
- Tight cost control
- Incentives based on quantitative targets
- Market of many price-sensitive buyers
- Few ways of achieving product differentiation
 - ❖ Buyers not sensitive to brand differences
 - ❖ Large number of buyers with bargaining power

- ❖ Pursued in conjunction with differentiation
- ❖ Economies or diseconomies of scale
- ❖ Capacity utilization achieved
- ❖ Linkages with suppliers and distributors

Question No: 11 (Marks: 1) - Please choose one

If market shares of competitors are declining whereas total industry sales are increasing, which strategy do you think may be the right one to pursue?

- ▶ Divestiture
- ▶ **Market Penetration**
- ▶ Market Development
- ▶ Retrenchment

Page#89 Market penetration may be an especially effective strategy is:

- Current markets not saturated
- Usage rate of present customers can be increased significantly
- Market shares of competitors declining while total industry sales increasing
- Increased economies of scale provide major competitive advantages

Question No: 12 (Marks: 1) - Please choose one

Which of the followings involves the substantial modification of existing products or the creation of new but related products that can be marketed to current customers through established channels?

- ▶ Innovation
- ▶ Differentiation
- ▶ **Product development**
- ▶ Market development

Ref: Product development is a strategy that seeks increased sales by improving or modifying present products or services.P#90

(page230)

http://books.google.com/books?id=az8D9OOvfF0C&pg=PA230&lpg=PA230&dq=modification+of+existing+products+or+the+creation+of+new+but+related+products+that+can+be+marketed+to+current+customers+through+established+channels&source=bl&ots=AEbhg7MIXf&sig=tmNJtEzSU1U_ZDjREv7_tRDoUwI&hl=en&ei=riSLTYD4MMHsrQfJ87jRDg&sa=X&oi=book_result&ct=result&resnum=1&ved=0CBMQ6AEwAA#v=onepage&q=modification%20of%20existing%20products%20or%20the%20creation%20of%20new%20but%20related%20products%20that%20can%20be%20marketed%20to%20current%20customers%20through%20established%20channels&f=false

Question No: 13 (Marks: 1) - Please choose one

Which of the following stages of “Strategy Formulation Framework” involves development of Internal-Factor Evaluation Matrix?

- ▶ **Input stage**
- ▶ Output stage
- ▶ Matching stage
- ▶ Decision stage

Stage 1 of the formulation framework consists of the EFE Matrix, the IFE Matrix, and the Competitive Profile Matrix. Called the Input Stage, Stage 1 summarizes the basic input information needed to formulate strategies. Page#97

Question No: 14 (Marks: 1) - Please choose one

Which of the following stages in “Strategy Formulation Framework” focuses on generating feasible alternative strategies?

- ▶ Input
- ▶ Output
- ▶ Decision

▶ **Matching**

Stage 2, called the Matching Stage, focuses upon generating feasible alternative strategies by aligning key external and internal factors. Page#97

Question No: 15 (Marks: 1) - Please choose one

If there is a shift in consumers taste in a society away from the firm’s products along with weak brand name, which of the following strategy would you recommend for the above mentioned firm?

- ▶ SO
- ▶ WO
- ▶ SW

▶ **WT**

<http://www.quickmba.com/strategy/swot/>

Question No: 16 (Marks: 1) - Please choose one

Firm located in defensive quadrant of a SPACE matrix is recommended to follow all of the following strategies EXCEPT:

- ▶ Retrenchment

▶ **Forward integration**

- ▶ Divestiture
- ▶ Liquidation

Defensive strategies include retrenchment, divestiture, liquidation, and concentric diversification. **CHAPTER 6**

Question No: 17 (Marks: 1) - Please choose one

What type of strategies would you recommend when a firm’s SPACE Matrix directional vector has the coordinates (+2, +3)?

▶ **Aggressive**

- ▶ Conservative
- ▶ Competitive
- ▶ Defensive

Handout Page#100

Question No: 18 (Marks: 1) - Please choose one

A & C Corporation currently possesses a low share of its available market. Moreover, this company's portfolio reveals that it has extremely low market growth. A & C Corporation is most likely to be classed as which one of the following?

▶ **Dog**

- ▶ Question mark
- ▶ Star
- ▶ Cash cow

(page 103) Dogs more charitably called pets, units with low market share in a mature, slow-growing industry.

Question No: 19 (Marks: 1) - Please choose one

Which of the following is a deliberate plan of action, guidelines, methods, procedures to guide decisions and achieve rational outcome?

▶ Annual objectives

▶ Strategies

▶ **Policies**

▶ Goals

A policy is a deliberate plan of action to guide decisions and achieve rational outcome(s).

http://www.aphca.org/workshops/Dairy_Workshop/Documents/Policy%20Terminology.pdf

Question No: 20 (Marks: 1) - Please choose one

The organizations, where resource allocation is not based on strategic-management approach to decision making, which approach is used for resource allocation?

▶ financial budget

▶ Relative importance of departments

▶ **on political or personal factors**

▶ Relative cost of each resources

In organizations that do not use a strategic-management approach to decision making, resource allocation is often based on political or personal factors. Page#116

Question No: 21 (Marks: 1) - Please choose one

A state of opposition between persons or ideas which are occasionally characterized by physical violence may be known as:

▶ **Conflict**

▶ Compromise

▶ Diffusion

▶ Avoidance

Conflict is a state of opposition, disagreement or incompatibility between two or more people or groups of people, which is sometimes characterized by physical violence. Page#116

Question No: 22 (Marks: 1) - Please choose one

Why do changes in company strategy often require changes in the way an organization is structured?

▶ **Because structure depicts how goals will be established**

▶ Because structure dictates how authorities will be delegated

▶ Because structure dictates how resources will be obtained

▶ Because structure dictates how financial resources are spent

(page 56) Changes in strategy often require changes in structure because new positions may be created, deleted, or merged. Organizational structure dictates how resources are allocated and how objectives are established in a firm.

Question No: 23 (Marks: 1) - Please choose one

Of the following, which one is FALSE regarding a functional organizational structure?

▶ The tasks, people, and technologies necessary to do the work of the business are grouped together

▶ Functional structures predominate in firms with single or narrow product lines

▶ Marketing, operations, and finance would be considered groups found within this type of structure

▶ **Functional structure is designed to achieve flexibility and better communication**

They are economically efficient, but lack flexibility. Communication between functional areas can be difficult. Page#118

Question No: 30(Marks: 1) - Please choose one

Which of these is not one of the tests used to determine whether a performance-pay plan will benefit an organization?

- ▶ Do employees understand the plan?
- ▶ Is the plan improving communications?
- ▶ Does the plan pay out when it should?
- ▶ **Does the plan reduce management layers?**

Five tests are often used to determine whether a performance-pay plan will benefit an organization:

- Does the plan capture attention?
- Do employees understand the plan?
- Is the plan improving communication?
- Does the plan pay out when it should?
- Is the company or unit performing better?

<http://www.scribd.com/doc/52820548/7/CHAPTER-7>

Question No: 25 (Marks: 1) - Please choose one

All of the following are the managerial issues for managing natural environment EXCEPT:

- ▶ Global warming- depletion of rain forests
- ▶ **Employee understanding about environment**
- ▶ Developing biodegradable products and packages
- ▶ Waste management to clean air and water

Special natural environmental issues include ozone depletion, global warming, depletion of rain forests, destruction of animal habitats, protecting endangered species, developing biodegradable products and packages, waste management, clean air, clean water, erosion, destruction of natural resources, and pollution control.

Page#124

Question No: 26 (Marks: 1) - Please choose one

The methods which are used to match managers with strategies to be implemented include all of the following EXCEPT:

- ▶ Transferring managers
- ▶ Job enlargement
- ▶ **Managers' retention**
- ▶ Job enrichment

<http://www.docstoc.com/docs/7224923/Strategic-Management>

PG#6

Question No: 27 (Marks: 1) - Please choose one

Which one of the following is an example of product decisions?

- ▶ **Brand name**
- ▶ Volume discounts
- ▶ Distribution channels
- ▶ Order processing

Page132 Product Decisions

- Brand name

- Functionality
- Styling
- Quality
- Safety
- Packaging

Question No: 28 (Marks: 1) - Please choose one

Which variable would be considered as a part of pricing decisions?

► Warranty

► **Bundling**

► Safety

► Functionality

Page133 Price Decisions

Some examples of pricing decisions to be made include:

- Pricing strategy (skim, penetration, etc.)
- Suggested retail price
- Volume discounts and wholesale pricing
- Cash and early payment discounts
- Seasonal pricing
- Bundling
- Price flexibility
- Price discrimination

Question No: 29 (Marks: 1) - Please choose one

Which one of the following is an example of place decisions?

► Safety and packaging

► Personal selling

► Public relations & publicity

► **Order processing**

Page#133 Some examples of distribution decisions include:

- Distribution channels
- Market coverage (inclusive, selective, or exclusive distribution)
- Specific channel members
- Inventory management
- Warehousing
- Distribution centers
- Order processing
- Transportation
- Reverse logistics

Question No: 30 (Marks: 1) - Please choose one

All of the following are the examples of promotion decision EXCEPT:

► Personal selling

► **Volume discounts**

► Public relations

► Advertising

Page#133 • Promotional strategy (push, pull, etc.)

- Advertising
- Personal selling & sales force

- Sales promotions
- Public relations & publicity
- Marketing communications budget

Question No: 31 (Marks: 1) - Please choose one

Which of the following is NOT a decision that may require finance/accounting policies?

- ▶ To extend the time of accounts receivable
- ▶ To determine an appropriate dividend payout ratio
- ▶ To use LIFO, FIFO or a market-value accounting approach
- ▶ **To determine the amount of product diversification**

Page#135 Decisions that may require finance/accounting policies are:

1. To raise the amount of capital by issuing shares or obtaining a debt from external parties.
2. To enhance the inventory turn over level
3. To make or buy fixed assets.
4. To extend the time of accounts receivable.
5. To establish a certain percentage discount on accounts within a specified period of time.
6. To determine the amount of cash that should be kept on hand
7. To determine an appropriate dividend payout ratio.
8. To use LIFO, FIFO

Question No: 32 (Marks: 1) - Please choose one

At least how many R & D approaches are used for the implementation of strategy?

- ▶ Two
- ▶ **Three**
- ▶ Four
- ▶ Five

Page#141 There are at least three major R&D approaches for implementing strategies.

1. First firm to market new technological products
2. Be an innovative imitator of successful products
3. Low-cost producer of similar but less expensive products

Question No: 33 (Marks: 1) - Please choose one

While evaluating a strategy, corrective actions are almost always needed EXCEPT:

- ▶ **When external and internal factors have not significantly changed**
- ▶ When the firm is not progressing satisfactorily toward objectives
- ▶ When the firm has not achieved the stated organizational goals
- ▶ When there are differences between desired results and achieved results

Page#146 Corrective actions are almost always needed except when

- (1) external and internal factors have not significantly changed and
- (2) The firm is progressing satisfactorily toward achieving stated objectives.

Question No: 34 (Marks: 1) - Please choose one

Which one of the following statements best describes the activity 'marketing and sales' of Porter's supply chain model?

- ▶ Machining, packaging, assembly, equipment maintenance & testing
- ▶ **Activities linked with getting buyers to purchase the product**
- ▶ Activities that maintain and enhance the product's value

- Receiving, storing, inventory control & transportation planning

Marketing and Sales: The activities associated with getting buyers to purchase the product, including: channel selection, advertising, promotion, selling, pricing, retail management, etc. Page#147

Question No: 35 (Marks: 1) - Please choose one

Outbound logistics includes which one of the following?

- Receiving, storing, inventory control, transportation planning
- Machining, packaging, assembly, equipment maintenance, testing
- **Activities required to get the finished product at the customers**
- Activities that maintain and enhance the product's value

Outbound Logistics: The activities required to get the finished product at the customers: warehousing, order fulfillment, transportation, distribution management Page#147

Question No: 36 (Marks: 1) - Please choose one

Which of the following is NOT a key financial ratio?

- Earnings per share
- **Production growth**
- Asset growth
- Profit margin

Handout Page#151

Some key financial ratios that are particularly useful as criteria for strategy evaluation are as follows:

1. Return on investment
2. Return on equity
3. Profit margin
4. Market share
5. Debt to equity
6. Earnings per share
7. Sales growth
8. Asset growth

Question No: 37 (Marks: 1) - Please choose one

Which of the following statement is TRUE about 'Controls' used in strategy evaluation stage?

- They are strategy-oriented
- **They are action-oriented**
- They are control-oriented
- They are information-oriented

Controls need to be action-oriented rather than information-oriented. Page#154

Question No: 38 (Marks: 1) - Please choose one

In BCG matrix, the size of circle corresponding to a division represents what?

- Relative market share of that division
- Financial strength of that division
- **Revenue generated by that division**
- Relative market growth of that division

The size of the circle corresponds to the proportion of corporate revenue generated by that business unit, <http://www.scribd.com/doc/6690110/Marketing-8>

<http://210.46.97.180/zonghe/book/112-%E7%8E%B0%E4%BB%A3%E7%AE%A1%E7%90%86%E5%AD%A6-%E4%B8%96%E7%95%8C%E8%B4%A2%E7%BB%8F%E4%B8%8E%E7%AE%A1%E7%90%86%E6%95%99%E6%9D%90%E5%A4%A7%E7%B3%BB%20%20%E4%B8%9C%E5%8C%97%E8%B4%A2%E7%BB%8F%E5%A4%A7%E5%AD%A6%E5%87%BA%E7%89%88%E7%A4%BE-Pamela%20S.%20Lewis%20Stephen%20H.%20Goodman%20%20Particia%20M.%20Fandt/7.htm>

Question No: 39 (Marks: 1) - Please choose one

If the capital and human resources of a firm are necessary to manage expanded operations and it also has excess production capacity, which would be an effective strategy for the firm to pursue?

► Market Penetration

► **Market Development**

► Divestiture

► Retrenchment

Page#90 Guidelines for Market Development

Six guidelines when market development may be an especially effective strategy are:

☐ New channels of distribution that are reliable, inexpensive, and good quality

☐ Firm is very successful at what it does

☐ Untapped or unsaturated markets

☐ Capital and human resources necessary to manage expanded operations

☐ Excess production capacity

☐ Basic industry rapidly becoming global

Question No: 40 (Marks: 1) - Please choose one

If the firm is very successful at what it does, unsaturated markets are available and the new inexpensive channels of distribution are also available, then which of the following strategies a company should follow?

► Market Penetration

► **Market Development**

► Product Development

► Retrenchment

Page#90 Six guidelines when market development may be an especially effective strategy are:

☐ New channels of distribution that are reliable, inexpensive, and good quality

☐ Firm is very successful at what it does

☐ Untapped or unsaturated markets

☐ Capital and human resources necessary to manage expanded operations

☐ Excess production capacity

☐ Basic industry rapidly becoming global

Question No: 41 (Marks: 1) - Please choose one

Which strategies are defensive tactics directed at reducing internal weaknesses and avoiding environmental threats?

► SO

► WO

► SW

► **WT**

The SWOT Matrix

The SWOT Matrix is an important matching tool that helps managers develop four types of strategies:

- a. SO strategies—use a firm's internal strengths to take advantage of external opportunities.
- b. WO strategies—are aimed at improving internal weaknesses by taking advantage of external opportunities.
- c. ST strategies—use a firm's strengths to avoid or reduce the impact of external threats.
- d. WT strategies—are defensive tactics directed at reducing internal weaknesses and avoiding external threats.

Question No: 42 (Marks: 1) - Please choose one

Which of these is TRUE about strategy implementation?

- It refers to positioning forces before the action
- It focuses on effectiveness

► **It is primarily an operational process**

- It is primarily an intellectual process

Strategy implementation is primarily an operational process. Page#112

Question No: 43 (Marks: 1) - Please choose one

Which of the following is TRUE about Strategy formulation?

- It manages forces during the action

► **It requires good intuitive and analytical skills**

- It is primarily an operational process
- It requires special motivation and leadership skills

Strategy formulation requires good intuitive and analytical skills. Page#112

Question No: 44 (Marks: 1) - Please choose one

Identify a situation in which a divisional structure by geographic area is considered to be most appropriate.

► **Organizations have similar branch facilities located in widely dispersed areas**

- An organization offers only a limited number of products or services
- Strict control and attention to product lines are needed
- An organization has many skilled managers

A divisional structure by geographic area is appropriate for organizations whose strategies need to be tailored to fit the particular needs and characteristics of customers in different geographic areas. This type of structure can be most appropriate for organizations that have similar branch facilities located in widely dispersed areas Page#119

Question No: 45 (Marks: 1) - Please choose one

All of the following are included in Rumelt's criteria for evaluating strategies EXCEPT:

- Consonance
- Advantage
- Consistency

► **Clarity**

Page#145 Four Criteria (Richard Rumelt):

- Consistency
- Consonance
- Feasibility
- Advantage

Question No: 46 (Marks: 1) - Please choose one

Identify which of the following are mostly based on a firm's external assessment according to Richard Rumelt.

- ▶ Consonance and consistency
- ▶ Advantage and feasibility
- ▶ **Consonance and advantage**
- ▶ Consistency and feasibility

According to Rumelt, consistency and feasibility are largely based on a firm's internal assessment Question 5 and 6 [CHAPTER 9](#)

Question No: 47 (Marks: 1) - Please choose one

Identify a factor which determines the final design of a firm's strategy-evaluation and control system.

- ▶ Opportunities
- ▶ External characteristics
- ▶ **Organization's characteristics**
- ▶ Competition's characteristics

The unique characteristics of an organization, including its size, management style, purpose, problems, and strengths, can determine a strategy-evaluation and control system's final design. Page#154

Question No: 48 (Marks: 1) - Please choose one

Which of the following is defined as having alternative plans that can be put into effect if certain key events do not occur as expected?

- ▶ corporate agility
- ▶ Scenario planning
- ▶ Forecasting
- ▶ **Contingency planning**

Page#155 *Contingency plans* can be defined as alternative plans that can be put into effect if certain key events do not occur as expected

Paper 4

FINAL TERM EXAMINATION

Spring 2010

MGT603- Strategic Management (Session - 4)

Question No: 1 (Marks: 1) - Please choose one

Which method of determining a firm's net worth can be numerically expressed as:

Market price of the firm's stock* Average net income for the past five years

Annual earnings per share

- ▶ Sum of equity and earnings method
- ▶ **Price-earnings ratio method**
- ▶ Long-term asset method
- ▶ Outstanding shares method

(page 139) *price-earnings ratio method*. To use this method, divide the market price of the firm's common stock by the annual earnings per share and multiply this number by the firm's average net income for the past five years

Question No: 2 (Marks: 1) - Please choose one

Which of the following is an example of a narrow mission?

▶ **We sell packaged pineapples**

- ▶ The firm deals in beverages
- ▶ Stationery is our product
- ▶ Company manufactures food items

Question No: 3 (Marks: 1) - Please choose one

Which of the following business actions is NOT considered to be unethical?

- ▶ Poor product or service safety
- ▶ Using non-union labor in a union shop
- ▶ Misleading advertising

▶ **Too expensive products**

Question No: 4 (Marks: 1) - Please choose one

Political variables have a significant effect on which one of the following?

▶ **Formulation and implementation of strategy**

- ▶ Formulation and evaluation of a strategy
- ▶ Implementation and evaluation of a strategy
- ▶ Formulation, implementation and evaluation of a strategy

Impact of political variables (page 35)

☐ **Formulation of Strategies**

☐ **Implementation of Strategies**

Question No: 5 (Marks: 1) - Please choose one

Which of the following is one of the Political, Governmental & Legal factors?

- ▶ Ethical concerns
- ▶ Traffic congestion

▶ **Lobbying activities**

▶ Average level of education

Question No: 6 (Marks: 1) - Please choose one

The XYZ Company wants to know the major favorable situations that exist in its environment. Essentially, the company wants to gain understanding of what?

- ▶ Strengths
- ▶ Weaknesses
- ▶ Threats

▶ **Opportunities**

Question No: 7 (Marks: 1) - Please choose one

Keeping strategies secret from employees and stakeholders can do all of the following EXCEPT:

▶ **Provide competitive advantage to competitors**

- ▶ hinder employee and stakeholder communication
- ▶ Reduces employee and stakeholder understanding
- ▶ Minimize employee and stakeholder commitment

Keeping strategies secret from employees and stakeholders at large could severely inhibit employee and stakeholder communication, understanding, and

commitment and also forgo valuable input that these persons could have regarding formulation and/or implementation of that strategy

Question No: 8 (Marks: 1) - Please choose one

Sana has spent a day in a session where the future of her company was discussed. The people involved were trying to determine what the role of their company was as the 21st century approaches. Goals were then developed based upon their vision of the company's mission. Sana spent her day on which of the following process?

- ▶ **Planning**
- ▶ Organizing
- ▶ Leading
- ▶ Controlling

(Q#43) <http://wenku.baidu.com/view/466f46c76137ee06eff91864.html>

Question No: 9 (Marks: 1) - Please choose one

Opportunity analysis is one of the basic functions of which one of the following?

- ▶ Computer information systems
- ▶ **Marketing**
- ▶ Production/operations
- ▶ Research and development

(page 63) The eighth function of marketing is *opportunity analysis*

Question No: 10 (Marks: 1) - Please choose one

Which of the following term describes “the merging of two or more businesses at the same level of production in some formal, legal relationship”?

- ▶ Backward integration
- ▶ **Horizontal integration**
- ▶ Market penetration
- ▶ Market development

Question No: 11 (Marks: 1) - Please choose one

“Ghulam Nabi, a farmer sells his crops at the local market rather than to a distribution center”. This action of Ghulam Nabi comes under which of the following?

- ▶ Backward integration
- ▶ Product development
- ▶ **Forward integration**
- ▶ Horizontal integration

A good example of forward integration is when a farmer sells his/her crops at the local market rather than to a distribution center

Question No: 12 (Marks: 1) - Please choose one

Where usage rate of present customers of the company can be increased significantly and the current markets are not saturated, which strategy would be effective for the company to follow?

- ▶ **Market Penetration**
- ▶ Product Development
- ▶ Market Development
- ▶ Retrenchment

Market Penetration Strategies

Current markets not saturated

Usage rate of present customers can be increased significantly

Question No: 13 (Marks: 1) - Please choose one

Product development involves going in the direction of which one of the following?

- ▶ Present products to present markets
- ▶ Present products to new markets
- ▶ **New products to present markets**
- ▶ New products to new markets

Question No: 14 (Marks: 1) - Please choose one

All of the following would be considered an Opportunity to a business EXCEPT which one of the following?

- ▶ Removal of international trade barriers
- ▶ Emergence of unfulfilled customer need
- ▶ **Emergence of substitute products**
- ▶ Loosening of regulations

<http://www.quickmba.com/strategy/swot/>

Question No: 15 (Marks: 1) - Please choose one

A & Ammar is the sole manufacturer of leather goods in Pakistan. This year, government has lowered tax rates for this industry. There is a possibility that new companies will enter the market to avail this opportunity. Lowering the tax rates will present which of the following to A & Ammar?

- ▶ Strength
- ▶ Weakness
- ▶ Opportunity
- ▶ **Threat**

Question No: 16 (Marks: 1) - Please choose one

Which of the following are the two internal dimensions represented on the axes of the SPACE Matrix?

- ▶ Environmental stability and industry strength
- ▶ Industry strength and competitive advantage
- ▶ **Competitive advantage and financial strength**
- ▶ Financial strength and environmental stability

(page 100) two internal dimensions financial strength [FS] and competitive advantage

Question No: 17 (Marks: 1) - Please choose one

ABC Corporation can have competitive advantage over its competitor by taking all of the following actions EXCEPT:

- ▶ By increasing product quality
- ▶ **By having debt to equity ratio=1**
- ▶ By altering product life cycle
- ▶ By increasing customer base

Question No: 18 (Marks: 1) - Please choose one

All of the following are the limitations of BCG Matrix EXCEPT:

▶ It is one-dimensional to view every business as a star, cash cow, dog or question mark

- ▶ **BCG can not be developed if a firm has at least less than three years data**
- ▶ The businesses that fall in the centre of BCG matrix can not be classified
- ▶ Other variables such as size of market and competitive advantages are not

considered

Question No: 19 (Marks: 1) - Please choose one

According to the Grand Strategy Matrix, which strategy is recommended for a firm with

rapid market growth and a strong competitive position?

► **Market penetration**

- Conglomerate diversification
- Joint venture
- Retrenchment

Handout page 107

Question No: 20 (Marks: 1) - Please choose one

“The business has a strong competitive position but is in a slow-growth industry. Further, the business typically has high cash flow levels and limited internal growth needs.” The statement refers which of the following?

- The firm falling in Quadrant I of Grand Strategy Matrix
- The firm falling in Quadrant II of Grand Strategy Matrix
- The firm falling in Quadrant III of Grand Strategy Matrix

► **The firm falling in Quadrant IV of Grand Strategy Matrix**

(page 108) Finally, Quadrant IV businesses have a strong competitive position but are in a slow-growth industry. These firms have the strength to launch diversified programs into more promising growth areas. Quadrant IV firms have characteristically high cash flow levels and limited internal growth

Question No: 21 (Marks: 1) - Please choose one

Which of the following is a Functional level objective?

- Achieving return on investment of at least 15%
- **Aiming to achieve a market share of 10%**
- Attaining operating profit of over Rs.10 million
- Increase earnings per share by at least 10% every

Question No: 22 (Marks: 1) - Please choose one

Which one of the followings is NOT a major factor that commonly forbids effective resource allocation?

- Organizational politics
- Vague strategy targets
- **Long run financial criteria**
- Lack of sufficient knowledge

(page 116) A number of factors commonly prohibit effective resource allocation, including an overprotection of resources, too great an emphasis on short-run financial criteria, organizational politics, vague strategy targets, a reluctance to take risks, and a lack of sufficient knowledge.

Question No: 23 (Marks: 1) - Please choose one

“Holding a meeting at which conflicting parties present their views and work through the differences”. The statement best describes which of the conflict resolving mood?

► **Confrontation**

- Resistance
- Diffusion
- Avoidance

(P#106 Q#162) <http://www.scribd.com/doc/30802064/48/Managing-Conflict?query=olding+a+meeting+at+which+conflicting+parties+present+their+views+and+work+through+their+differences+r>

Question No: 24 (Marks: 1) - Please choose one

Restructuring is also known as:

- ▶ Up-sizing
- ▶ **Delaying**
- ▶ Diversifying
- ▶ Integrating

(P#120) Restructuring—also called downsizing, rightsizing, or delaying

Question No: 25 (Marks: 1) - Please choose one

Which term is most often concerned primarily with shareholder well-being rather than employee well-being?

- ▶ Benchmarking
- ▶ Reengineering
- ▶ E-engineering
- ▶ **Restructuring**

(page 120) Restructuring is concerned primarily with shareholder well-being rather than employee well-being.

Question No: 26 (Marks: 1) - Please choose one

“All the employees of Operations department have received 15 % of increased profits over a historical standard or targeted profits.” Which of the following best describes the statement?

- ▶ Profit sharing
- ▶ Bonus
- ▶ **Gain sharing**
- ▶ Piece-work plan

(page 123) Gain sharing requires employees or departments to establish performance targets; if actual results exceed objectives, all members get bonuses.

Question No: 27 (Marks: 1) - Please choose one

What is the most widely used technique for determining the best combination of debt and stock?

- ▶ **Earnings per share (review)**
- ▶ Return on stockholders' equity
- ▶ Debt-to-equity ratio
- ▶ Capital budgeting

(page 135) Right answer: Earnings per share/earnings before interest and tax analysis

Question No: 28 (Marks: 1) - Please choose one

Which one of the following statement is TRUE about EBIT (Earnings before Interest and Taxes)?

- ▶ It is calculated as revenue minus depreciation and interest expenses
- ▶ **It is calculated as revenue minus expenses excluding tax and interest**
- ▶ It is calculated as revenue minus cost of goods sold and sales taxes
- ▶ It is calculated as revenues minus selling and administrative expenses

Earnings Before Interest & Tax - EBIT

An indicator of a company's profitability, calculated as revenue minus expenses, excluding tax and interest. EBIT is also referred to as "operating earnings", "operating profit" and "operating income", as you can re-arrange the formula to be <http://www.snpnifty.com/E.html>

Question No: 29 (Marks: 1) - Please choose one

Which alternative becomes more attractive financing technique when cost of capital is high?

- ▶ Debt financing
- ▶ Combination financing

► **Raising equity**

► Borrowing

Question No: 30 (Marks: 1) - Please choose one

Integrative, intensive, and diversification strategies are often implemented by which one of the followings?

► Liquidating firms

► **Acquiring firms**

► Venturing firms

► Small firms

Question No: 31 (Marks: 1) - Please choose one

All of the following tasks are performed by R&D employees and managers EXCEPT:

► Transferring complex technology

► Adapting processes to local markets

► Adjusting process to local raw materials

► **Make sure the availability of resource**

(page 140) R&D employees and managers perform tasks that include

1. Transferring complex technology,

2. Adjusting processes to local raw materials,

3. Adapting processes to local markets,

4. Altering products to particular tastes and specifications.

Question No: 32 (Marks: 1) - Please choose one

Which one of the following is not a rivalry determinant of Porter's model?

► **Differentiation of inputs**

► Industry growth

► Diversity of competitors

► Switching costs

The intensity of competitive rivalry

○ power of buyers

○ power of suppliers

○ threat of new entrants

○ threat of substitute products

○ number of competitors

○ rate of industry growth

○ intermittent industry overcapacity

○ exit barriers

○ diversity of competitors

○ informational complexity and asymmetry

○ brand equity

○ fixed cost allocation per value added

○ level of advertising expense

Question No: 33 (Marks: 1) - Please choose one

Which one of the following is NOT considered as a difficulty in evaluation of strategies?

► Increase in environment's complexity

► Difficulty predicting future with accuracy

► **Decreasing number of variables**

► Rate of obsolescence of plans

Difficulty in strategy evaluation –

1. Increase in environment's complexity

2. Difficulty predicting future with accuracy

3. Increasing number of variables
4. Rate of obsolescence of plans
5. Domestic and global events
6. Decreasing time span for planning certainty

Question No: 34 (Marks: 1) - Please choose one

Strategy evaluation is based on which of the following?

- ▶ Quantitative and empirical criteria
- ▶ Empirical and qualitative criteria
- ▶ Qualitative and objective criteria
- ▶ **Qualitative and quantitative criteria**

Strategy evaluation is based both on quantitative and qualitative criteria.

<http://www.scribd.com/doc/21041897/Strategy-Evaluation>

Question No: 35 (Marks: 1) - Please choose one

What is typical problem associated with using quantitative criteria for evaluating strategies?

▶ Most qualitative criteria are geared to long-term objectives rather than annual objectives

▶ **Different accounting methods can provide different results on many quantitative criteria**

- ▶ Intuitive judgments are never involved in deriving quantitative criteria
- ▶ Qualitative data to be evaluated for measuring performance is often not available

(P#151) But there are some potential problems associated with using quantitative criteria for evaluating strategies.

First, most quantitative criteria are geared to annual objectives rather than long-term objectives. Also, different accounting methods can provide different results on many quantitative criteria. Third, intuitive judgments are almost always involved in deriving quantitative criteria. For these and other reasons, qualitative criteria are also important in evaluating strategies.

Question No: 36 (Marks: 1) - Please choose one

A good evaluation system must possess various qualities. Which of the following is not a characteristic of a good strategy evaluation system?

- ▶ Strategy-evaluation activities must be economical
- ▶ Strategy-evaluation activities should be meaningful
- ▶ **Strategy-evaluation activities should dominate the decisions**
- ▶ Strategy-evaluation activities should provide timely information

(P#154) First, strategy-evaluation activities must be economical; too much information can be just as bad as too little information; and too many controls can do more harm than good. Strategy-evaluation activities also should be meaningful; they should specifically relate to a firm's objectives. They should provide managers with useful information about tasks over which they have control and influence. Strategy-evaluation activities should provide timely information;

Question No: 37 (Marks: 1) - Please choose one

The product design, packaging, product disposal and corporate rewards should reflect which of the following?

- ▶ Product quality consideration
- ▶ Union consideration
- ▶ **Environmental consideration**
- ▶ Customer consideration

Question No: 38 (Marks: 1) - Please choose one

Financial benefits of strategic management include all of the following EXCEPT:

- ▶ Progression in profitability
- ▶ **Improvement in employee productivity**
- ▶ Expansion in the sales of business
- ▶ Enhancement in productivity

(page 11) Financial benefits:

- ☐ Improved productivity
- ☐ Improved sales
- ☐ Improved profitability

Question No: 39 (Marks: 1) - Please choose one

Which one of the following is a reason for NOT choosing profits in BCG matrix than relative market share?

- ▶ **It carries less information than just cash flow**
- ▶ It shows where the brand is positioned against competitors
- ▶ It indicates where it might be likely to go in the future
- ▶ It shows what type of marketing activities to be performed

(P#104) The reason for choosing relative market share, rather than just profits, is that it carries more information than just cash flow. It shows where the brand is positioned against its main competitors, and indicates where it might be likely to go in the future. It can also show what type of marketing activities might be expected to be effective.

Question No: 40 (Marks: 1) - Please choose one

“A desired future state that the organization attempts to realize”. Identify the term relevant to the given statement.

- ▶ **Goal**
- ▶ Strategy
- ▶ Policy
- ▶ Procedure

A goal is a **desired future state that the organization attempts to realize**

Question No: 41 (Marks: 1) - Please choose one

Which of the following statements best defines “stage 1” of the strategy-formulation framework?

- ▶ **It summarizes the basic input information needed to formulate strategies**
- ▶ It focuses on generating feasible alternative strategies
- ▶ It involves a single technique
- ▶ It is based on assumptions

(P#97) Stage 1 summarizes the basic input information needed to formulate strategies.

Question No: 42 (Marks: 1) - Please choose one

What type of strategies would you recommend when a firm’s SPACE Matrix directional vector has the coordinates (+1, +5)?

- ▶ **Aggressive**
- ▶ Conservative
- ▶ Competitive
- ▶ Defensive

Handout page 100

Question No: 43 (Marks: 1) - Please choose one

“Establishing annual objectives” refers to which of the following activities?

- ▶ It is a top-level activity
- ▶ It is a centralized activity
- ▶ **It is a decentralized activity**
- ▶ It is a centralized-decentralized activity

(P#114) Establishing annual objectives is a decentralized activity that directly involves all managers in an organization.

Question No: 44 (Marks: 1) - Please choose one

Which pay strategy is Not a form of incentive compensation?

- ▶ Bonus system
- ▶ **Hourly wage**
- ▶ Gain sharing
- ▶ Profit sharing

(P#123) Profit sharing is another widely used form of incentive compensation.

Question No: 45 (Marks: 1) - Please choose one

Which of the following is NOT a rule of thumb when using product positioning as a strategy-implementation tool?

- ▶ “ t squat between segments”Don’
- ▶ “Look for the hole or vacant niche”
- ▶ **“ to serve more than one segment with the same strategy”Try**
- ▶ “ t position yourself in the middle of the map”Don’

1. Look for the hole. The best strategic opportunity might be an unserved segment (e.g., Quadrant 1 in Figure 3).

2. Don't squat between segments. Any advantage from squatting (such as a larger target market) is offset by your failure to satisfy one segment. In decision theory terms, the intent here is to avoid sub-optimization by trying to serve more than one objective function.

3. Don't serve two segments with the same strategy. Usually, a successful strategy with one segment cannot be directly transferred to another segment.

4. Don't position yourself in the middle of the map. The middle usually means a strategy that is not clearly perceived to have any distinguishing of The Saturday Evening Post was attributed to a declining segment for that kind of product

http://pcbfaculty.ou.edu/classfiles/MKT6293/WK1_Overview/AMR%2081%20Biggadike.pdf

Question No: 46 (Marks: 1) - Please choose one

Identify which of the following are mostly based on a firm's internal assessment according to Richard Rumelt.

- ▶ Consistency and consonance
- ▶ Consonance and advantage
- ▶ Advantage and feasibility
- ▶ **Feasibility and consistency**

According to Rumelt, consistency and feasibility are largely based on a firm's internal assessment Question 5 and 6 **CHAPTER 9**

Question No: 47 (Marks: 1) - Please choose one

Which of the following statements is TRUE if success for one organizational department means failure for another department?

- ▶ Strategies may be synergistic
- ▶ Strategies may be advantageous
- ▶ Strategies may be inconsonant
- ▶ **Strategies may be inconsistent**

If success for one department means failure for another department, then strategies may be inconsistent. [Strategic evaluation and control](#)

Question No: 48 (Marks: 1) - Please choose one

All of the following are the qualitative questions for evaluating strategies identified by Seymour Tilles EXCEPT:

- ▶ Is the strategy internally consistent?
- ▶ **Is the strategy having an appropriate return on investment?**
- ▶ Is the strategy consistent with the environment?
- ▶ Is the strategy appropriate in view of available resources?

(P#151) six qualitative questions that are useful in evaluating strategies:

1. Is the strategy internally consistent?
2. Is the strategy consistent with the environment?
3. Is the strategy appropriate in view of available resources?
4. Does the strategy involve an acceptable degree of risk?
5. Does the strategy have an appropriate time framework?
6. Is the strategy workable?

Paper 5

FINAL TERM EXAMINATION

Spring 2009

MGT603- Strategic Management (Session - 2)

Question No: 1(Marks: 1) - Please choose one

All of the following external forces directly affect an organization EXCEPT:

- ▶ Market segmentation strategies
- ▶ Types of products/services offered
- ▶ **Management structure of an organization**
- ▶ Choice of businesses to acquire or sell

Question No: 2(Marks: 1) - Please choose one

Which of the following can be considered as barriers to entering a market or industry?

- ▶ The lack of economies of scale and experience and low levels of brand loyalty
- ▶ The presence of large number of rivals already in the industry
- ▶ **Relatively large capital requirements and industry have economies of scale**
- ▶ The absence of tariffs, trade restrictions, and/or government-mandated regulations

Question No: 3 (Marks: 1) - Please choose one

The competitive threat posed by substitute products is weakened in which of the following conditions?

- ▶ Buyers that are currently purchasing the product are not relatively loyal
- ▶ There are relatively large numbers of rival sellers that are fairly equal in size
- ▶ Customers are in a strong bargaining position to win concessions from sellers
- ▶ **Buyers' costs of switching to substitutes are relatively high**

Substitutes are higher-priced, buyers don't believe substitute products have equal or better features, and buyers' costs of switching to substitutes are relatively high.

(Q#8) [http://highered.mcgraw-](http://highered.mcgraw-hill.com/sites/0073530425/student_view0/chapter3/chapter_test.html)

[hill.com/sites/0073530425/student_view0/chapter3/chapter_test.html](http://highered.mcgraw-hill.com/sites/0073530425/student_view0/chapter3/chapter_test.html)

Question No: 4 (Marks: 1) - Please choose one

In the Five Forces framework, the term “threat of entrants” refers to what?

- ▶ The possibility of a potential competitor entering a different market
- ▶ **The possibility of a new competitor entering the market**
- ▶ The possibility of an existing competitor capturing the entire market

► The possibility of an existing competitor withdrawing from the market
<http://www.ofcom.org.uk/static/archive/oftel/publications/mobile/mmr0201.htm>

Question No: 5 (Marks: 1) - Please choose one fault

All of the following fall under the category of ‘Process’ function of production management EXCEPT:

- Choice of technology
- **Quality assurance**
- Process flow analysis
- Transportation analysis

PG#68 Process :Process decisions concern the design of the physical production system. Specific decisions include **choice of technology**, facility layout, **process flow analysis**, facility location, line balancing, process control, and **transportation analysis**.

Question No: 6 (Marks: 1) - Please choose one

A planned activity aimed at discovery of new knowledge with the hope of developing new or improved products and services and translation of its findings into a plan or design of new or improved products and services is known as:

- Marketing
- **Research and development**
- Production
- Management information system

☐ For purposes of this Statement, research and development is defined as follows:

- a. **Research is planned search or critical investigation aimed at discovery of new knowledge with the hope that such knowledge will be useful in developing a new product or service**

http://bhs.econ.census.gov/bhs/brdis/SUR90_171.html

Question No: 7 (Marks: 1) - Please choose one

Amir, a sole proprietor, uses the information system to ask the question; “What if the prices will decrease by 16% in the next year?” Which of the following functions the information system is performing for Amir?

- Functional support role
- **Decisional support role**
- Managerial support role
- Analytical supporting role

Question No: 8 (Marks: 1) - Please choose one

Which of the following is the first step in developing an IFE Matrix?

- Summing the weighted scores for each variable
- **Identifying the organization’s strengths and weaknesses**
- Identifying the organization’s functions of business
- Determining the lead strategist

A summary step in conducting an internal strategic management audit is to construct an Internal Factor Evaluation (IFE) Matrix. This strategy formulation tool summarizes and evaluates the major strengths and weaknesses in the functional areas of a business

Question No: 9 (Marks: 1) - Please choose one

“Max Rent-a-Car” is opening car rental shops in Wal-Mart stores, is an example of which type of strategy?

▶ **Forward integration**

- ▶ Backward integration
- ▶ Related diversification
- ▶ Unrelated diversification

Question No: 10 (Marks: 1) - Please choose one

If market shares of competitors are declining whereas total industry sales are increasing, which strategy do you think may be the right one to pursue?

▶ Divestiture

▶ **Market Penetration**

- ▶ Market Development
- ▶ Retrenchment

Question No: 11 (Marks: 1) - Please choose one

Strategy formulation technique can be integrated into how many stages?

▶ Two

▶ **Three**

▶ Four

▶ Five

(P#97) Important strategy-formulation techniques can be integrated into a three-stage decision-making framework,

Question No: 12 (Marks: 1) - Please choose one

Which of the following stages in the strategy-formulation framework focuses on summarizing the basic information needed to formulate strategies?

▶ Output

▶ **Input**

▶ Decision

▶ Matching

(P#97) Input Stage, Stage 1 summarizes the basic input information needed to formulate strategies.

Question No: 13 (Marks: 1) - Please choose one

All of the following would be considered an Opportunity to a business EXCEPT which one of the following?

▶ Removal of international trade barriers

▶ Emergence of unfulfilled customer need

▶ **Emergence of substitute products**

▶ Loosening of regulations

Question No: 14 (Marks: 1) - Please choose one

What are the four dimensions of a SPACE matrix?

▶ Industry strength, Competitive advantage, financial strength, Market share

▶ Environmental stability, Industry strength, Market growth rate, Market share

▶ Environmental stability, Industry strength, Competitive advantage, Market growth

rate

▶ **Environmental stability, Industry strength, Competitive advantage, financial strength**

(P#100) The axes of the SPACE Matrix represent two internal dimensions financial strength [FS] and competitive advantage [CA] and two external dimensions (environmental stability [ES] and industry strength [IS]).

Question No: 15(Marks: 1) - Please choose one

Firm with its SPACE matrix vector in conservative quadrant should peruse all of the following strategies EXCEPT:

- ▶ Market penetration
- ▶ Product development
- ▶ Market development
- ▶ **Divestiture**

Conservative strategies most often include market penetration, market development, product development and concentric diversification

Question No: 16 (Marks: 1) - Please choose one

Firm located in defensive quadrant of a SPACE matrix is recommended to follow all of the following strategies EXCEPT:

- ▶ Retrenchment
- ▶ **Forward integration**
- ▶ Divestiture
- ▶ Liquidation

Defensive strategies include retrenchment, divestiture, liquidation, and concentric diversification. **CHAPTER 6**

Question No: 17 (Marks: 1) - Please choose one

A firm should practice Joint venture strategy in which of the following case?

- ▶ When the SPACE matrix vector lies in defensive quadrant
- ▶ When the SPACE matrix vector lies in aggressive quadrant
- ▶ When the SPACE matrix vector lies in conservative quadrant
- ▶ **When the SPACE matrix vector lies in competitive quadrant**

: The directional vector of the SPACE Matrix lies in the lower right quadrant, indicating that competitive-type strategies are most appropriate David Chapter 6

Question No: 18 (Marks: 1) - Please choose one

BCG matrix is used in matching stage of strategy formulation framework. It plots the business units along which of the following dimensions?

- ▶ Market share and industry strength
- ▶ **Market share and market growth rate**
- ▶ Market growth rate and competitive position
- ▶ Market growth rate and environment stability

By examining the relative market share and industry growth rate of each division relative to all other divisions with the BCG matrix, a multidivisional organization is allowed to manage its portfolio of businesses. CHAPTER 6

Question No: 19 (Marks: 1) - Please choose one

IE matrix is based on which dimensions?

- ▶ Market share and industry growth
- ▶ Financial strength and industry strength
- ▶ **Weighed scores of IFE and EFE matrices**
- ▶ Market growth and competitive position

(p#106) Steps for the development of IE matrix

1. Based on two key dimensions IFE and EFE.

2. Plot IFE total weighted scores on the x-axis and the EFE total weighted scores on the y axis

Question No: 20 (Marks: 1) - Please choose one

Weighed scores of IFE and EFE matrices are the dimensions of which of the following?

► **Internal-External Matrix**

- Competitive Profile Matrix
- SPACE Matrix
- Grand Strategy Matrix

(p#106) Steps for the development of IE matrix

1. Based on two key dimensions IFE and EFE.

2. Plot IFE total weighted scores on the x-axis and the EFE total weighted scores on the y axis

Question No: 21 (Marks: 1) - Please choose one

Grand Strategy Matrix is based on which of the following dimensions?

- Market share and industry growth
- Financial strength and industry strength
- Weighed scores of IFE and EFE matrices

► **Market growth and competitive position**

(p#107) It is based two major dimensions

1. Market growth

2. Competitive position

Question No: 22 (Marks: 1) - Please choose one

Which of the following is the last stage of three-stage strategy formulation framework?

► **Decision**

- Matching
- None of the given options
- Formulation

(P#97) Stage-1 (Formulation Framework)

Stage-2 (Matching stage)

Stage-3 (Decision stage)

Question No: 23 (Marks: 1) - Please choose one

Which one of the following statement best describes the relationship of strategy formulation and strategy implementation stages?

► Strategy implementation is positioning forces before the action. Strategy formulation is managing forces during the action.

► **Strategy formulation requires good intuitive and analytical skills. Strategy implementation requires special motivation and leadership skills.**

► Strategy formulation focuses on efficiency. Strategy implementation focuses on effectiveness.

► Strategy Implementation is primarily an intellectual process. Strategy formulation is primarily an operational process.

(page 112) Strategy formulation is positioning forces before the action. ○ Strategy implementation is managing forces during the action

Strategy formulation requires good intuitive and analytical skills. ○ Strategy implementation requires special motivation and leadership skills.

Strategy formulation focuses on effectiveness. ○ Strategy implementation focuses on efficiency.

Strategy formulation is primarily an intellectual process. ○ Strategy implementation is primarily an operational process.

Question No: 24 (Marks: 1) - Please choose one

Which of the following is NOT a functional level objective?

- ▶ Building customer database of at least 250,000 companies
- ▶ **Increasing earnings per share by at least 10%**
- ▶ Achieving a 10% share of International market
- ▶ Getting 75% customer awareness of company's brand in target markets

(P#113) Functional level

E.g. specific objectives for marketing activities

Examples of functional marketing objectives" might include:

- We aim to build customer database of at least 250,000 households within the next 12 months
- We aim to achieve a market share of 10%
- We aim to achieve 75% customer awareness of our brand in our target markets

Question No: 25 (Marks: 1) - Please choose one

Which organizational structure is the most simple and economical?

- ▶ Strategic business unit
- ▶ **Functional structure**
- ▶ Divisional structure
- ▶ Matrix structure

(P#118) They are economically efficient, but lack flexibility. Communication between functional areas can be difficult

Question No: 26 (Marks: 1) - Please choose one

A strategy involving major business modification usually associated with personnel downsizing and selling the part of company for the purpose of getting effectiveness at maximum is known as:

- ▶ **Restructuring**
- ▶ Re-engineering
- ▶ Downsizing
- ▶ Divestiture

PG#120

Restructuring—also called downsizing, rightsizing, or delayering—involves reducing the size of the firm in terms of number of employees, number of divisions or units, and number of hierarchical levels in the firm's organizational structure. This reduction in size is intended to improve both efficiency and effectiveness.

[http://highered.mcgraw-](http://highered.mcgraw-hill.com/sites/0073381365/student_view0/chapter11/multiple_choice_quiz.html)

[hill.com/sites/0073381365/student_view0/chapter11/multiple_choice_quiz.html](http://highered.mcgraw-hill.com/sites/0073381365/student_view0/chapter11/multiple_choice_quiz.html)

Question No: 27 (Marks: 1) - Please choose one

Mr. Rian is an owner of a firm. At the start of the financial year, he has intimated his employees that the targeted profit for the year is Rs.50 Million and all the employees will be rewarded for exceeding a predetermined profit by providing an allocation in the company profits? Which sort of incentive plan Mr. Rian has announced?

- ▶ Profit sharing
- ▶ **Gain sharing**
- ▶ Bonus system
- ▶ Commission

P# 123)Gain sharing

requires employees or departments to establish performance targets; if actual results exceed objectives, all members get bonuses.

Question No: 28 (Marks: 1) - Please choose one

Production processes typically constitute of what percentage of firm's total assets?

- ▶ **More than 70 %**

- ▶ More than 65 %
- ▶ More than 60 %
- ▶ More than 55 %

(p# 126) Production processes typically constitute more than 70 percent of a firm's total assets.

Question No: 29 (Marks: 1) - Please choose one

All of the following are production related decisions EXCEPT:

- ▶ Plant location and size
- ▶ **Packaging and marketing**
- ▶ Technological innovation
- ▶ Resource utilization

(P# 126) Production-concerned decisions on plant location, plant size, , product design, choice of equipment, size of inventory, inventory control, quality control, cost control, use of standards, shipping and packaging, and technological innovation, job specialization, employee training, equipment and resource utilization.

Question No: 30 (Marks: 1) - Please choose one

Matching of which factors would allow factories to produce desirable levels without extra shifts, overtime or subcontracting?

- ▶ Competition and positioning
- ▶ Customer behavior and positioning
- ▶ **Supply and demand**
- ▶ Segments and demand

(Q#75)CHAPTER 8

Question No: 31 (Marks: 1) - Please choose one

Which one of the following is FALSE about the requirements of successful segmentation?

- ▶ Segments are measurable and identifiable
- ▶ Segments are accessible and actionable
- ▶ **Segments should be homogeneous**
- ▶ Segment is large enough to be profitable

(page 192) The requirements for successful segmentation are:

- Homogeneity within the segment
- Heterogeneity between segments
- Segments are measurable and identifiable
- Segments are accessible and actionable
- Segment is large enough to be profitable.....

Question No: 32 (Marks: 1) - Please choose one

All of the following are the examples of product decisions EXCEPT:

- ▶ Styling
- ▶ Quality
- ▶ **Advertising**
- ▶ Warranty

(P# 132)Product Decisions

Brand name

- Functionality
- Styling

- Quality
- Safety
- Packaging

Question No: 33 (Marks: 1) - Please choose one

After completing an EPS/EBIT analysis, what conclusions would you make if the debt line is above the stock line throughout the range of EBIT on the graph?

► **Debt appears to be the best financing alternative**

- Stock would be the best financing alternative
- Combination of debt and stock is the best financial alternative
- Dividends must be considered before concluding

Question No: 34 (Marks: 1) - Please choose one

Which of the following is a limitation of financial budgets?

- Quarterly or other periodic reforecast are not possible
- Over budgeting or under budgeting do not cause problems

► **Financial budgets can become a substitute for objectives**

- Budgets reveal inefficiencies if based solely on precedent

(page 139)Over budgeting or under budgeting can cause problems

financial budgets can become a substitute for objectives

budgets can hide inefficiencies if based solely on precedent

than periodic evaluation of circumstances and standards.

Question No: 35 (Marks: 1) - Please choose one

Which of the following statement is TRUE about Inbound Logistics?

► **It includes receiving, storing, inventory control & transportation planning**

- It includes machining, packaging, assembly, equipment maintenance & testing
- It includes activities required to deliver the finished product to the customers' end
- It includes the activities that maintain and enhance the product's value

Question No: 36 (Marks: 1) - Please choose one

In evaluating strategies, which one of Rumelt's criteria for evaluating strategies, refers to the need for strategists to examine sets of trends?

- Consistency

► **Consonance**

- Feasibility

- Advantage

CHAPTER 9 (Q 75)

Question No: 37 (Marks: 1) - Please choose one

Strategy evaluation is based on which of the following?

- Quantitative and empirical criteria
- Empirical and qualitative criteria
- Qualitative and objective criteria

► **Qualitative and quantitative criteria**

Question No: 38 (Marks: 1) - Please choose one

Which of the following stages of strategic management helps the management to know when particular strategies are not working well?

- Strategy formulation
- Strategy implementation

► **Strategy evaluation**

- All of the given options

(P 4)Strategy evaluation is the final stage in the strategic management process. Management desperately needs to know when particular strategies are not working well

Question No: 39 (Marks: 1) - Please choose one

During which of the following periods, Strategic Management was considered to be cure for all problems?

► **Mid 1960s to mid 1970s**

► Mid 1970s to mid 1980s

► Mid 1980s to mid 1990s

► Mid 1950s to mid 1960s

Question No: 40 (Marks: 1) - Please choose one

Which one of the following is a reason for NOT choosing profits in BCG matrix than relative market share?

► **It carries less information than just cash flow**

► It shows where the brand is positioned against competitors

► It indicates where it might be likely to go in the future

► It shows what type of marketing activities to be performed

(P 104) The reason for choosing relative market share, rather than just profits, is that it carries more information than just cash flow. It shows where the brand is positioned against its main competitors, and indicates where it might be likely to go in the future. It can also show what type of marketing activities might be expected to be effective.

Paper 6

FINAL TERM EXAMINATION

Fall 2009

MGT603- Strategic Management (Session - 4)

Question No: 1 (Marks: 1) - Please choose one

Which of the following is NOT included in the strategic management model?

► Measure and evaluate performance

► Establish long-term objectives

► Develop mission and vision statements

► **Perform internal research to identify customers**

Handout Page#10

Question No: 2 (Marks: 1) - Please choose one

A mission statement should “reconcile interests among diverse stakeholders”. What does it mean?

► All shareholders must be satisfied

► Shareholders should be given preference over customers

► **Firm will devote attention to meeting claims of various stakeholders**

► Firm will devote its attention towards the maximization of shareholders value

A mission statement needs to be broad to effectively reconcile differences among and appeal to an organization's diverse stakeholders, the individuals and groups of persons who have a special stake or claim on the company.

Question No: 3 (Marks: 1) - Please choose one

Which of the following are signs of strength in a company's competitive position?

► A debt-to-asset ratio below 0.50 and a positive net cash flow

► A website with extensive information about the company and its product line

- ▶ R&D and advertising expenditures greater than \$10 million annually
- ▶ **A strongly differentiated product and a strong or rising market share**

Question No: 4 (Marks: 1) - Please choose one

Which of the following is the first step in the controlling function of management?

- ▶ Take corrective actions
- ▶ Restrict breaks employees take
- ▶ Evaluate expense reports
- ▶ **Establish performance standards**

Controlling consists of four basic steps:

1. Establishing performance standards
2. Measuring individual and organizational performance
3. Comparing actual performance to planned performance standards
4. Taking corrective actions Page#59

Question No: 5 (Marks: 1) - Please choose one

Which of the following allows an organization to test alternative marketing plans and to forecast future sales of new products?

- ▶ Marketing
- ▶ Advertisement
- ▶ **Test marketing**
- ▶ Customer analysis

Test markets allow an organization to test alternative marketing plans and to forecast future sales of new products. Page#61

Question No: 6 (Marks: 1) - Please choose one

The steps required to perform cost/benefit analysis include all BUT:

- ▶ Comparing the total costs with the total benefits
- ▶ Figure out the total costs associated with a decision
- ▶ Approximation of the total benefits from the decision
- ▶ **Adding the total cost and total benefit**

Three steps are required to perform a cost/benefit analysis:

- ☐ Compute the total costs associated with a decision,
- ☐ Estimate the total benefits from the decision, and
- ☐ Compare the total costs with the total benefits. Page#63

Question No: 7 (Marks: 1) - Please choose one

In strategy formulation phase, what can be the problem when only financial ratios are used to measure organizational performance?

- ▶ **They need to be compared with competitors'**
- ▶ They are only understandable by accountants
- ▶ There are many different measures available
- ▶ The measures are usually inconsistent

(page 151) comparing the firm's performance over different time periods, (2) comparing the firm's performance to competitors', and (3) comparing the firm's performance to industry averages.

<http://www.oup.com/uk/orc/bin/9780199288304/01student/mcqs/ch06/>

Question No: 8 (Marks: 1) - Please choose one

The IFE matrix summarizes and evaluates which factors in the functional areas of a business?

- ▶ Opportunities and threats
- ▶ **Strengths and weaknesses**
- ▶ Strengths and threats
- ▶ Opportunities and weaknesses

PG#47A summary step in conducting an internal strategic-management audit is to construct an *Internal Factor Evaluation (IFE) Matrix*. This strategy-formulation tool summarizes and evaluates the major strengths and weaknesses in the functional areas of a business, and it also provides a basis for identifying and evaluating relationships among those areas.

Question No: 9 (Marks: 1) - Please choose one

The Web sites that sell products directly to the consumers are the examples of which type of strategy?

- ▶ Backward integration
- ▶ Product development
- ▶ **Forward integration**
- ▶ Horizontal integration

Page#81

Forward integration strategy refers to the transactions between the customers and firm. Similarly, the function for the particular supply which the firm is being intended to involve itself will be called backward integration.

Question No: 10 (Marks: 1) - Please choose one

Which of the followings best describes the Horizontal Integration?

- ▶ A firm takes over a supplier
- ▶ A firm takes over a distributor
- ▶ **A firm takes over a competitor**
- ▶ A firm takes over a manufacturer

Allow a firm to gain control over: **Page#81**

- ☐ Distributors (forward integration)
- ☐ Suppliers (backward integration)
- ☐ Competitors (horizontal integration)

Question No: 11 (Marks: 1) - Please choose one

Which of the following is a drawback or limitation of Horizontal Integration?

- ▶ **Synergies may be more imaginary than real**
- ▶ It can increase suppliers' and buyers' bargaining power
- ▶ Economies of scale are likely to be decreased
- ▶ Both the first & third options are correct

(page 80 and 84) Horizontal integration refers to a strategy of seeking ownership of or increased control over a firm's competitors

Question No: 12 (Marks: 1) - Please choose one

Competitive advantage based on differentiation derives from:

- ▶ Being the lowest cost producer in the industry and offering the lowest priced products
- ▶ Having processes and systems which are different from competitors
- ▶ **offering products which offer different benefits from competitors' and are valued by buyers**
- ▶ Having the broadest range of different goods and services in the industry

(Q#8)http://wps.pearsoned.co.uk/ema_uk_he_johnson_excorpstrat_7/26/6677/1709451.cw/content/index.html

Question No: 13 (Marks: 1) - Please choose one

All of the following situations are conducive to market development EXCEPT:

► **When new channels of distribution are expensive**

- When new untapped or unsaturated markets exist
- When an organization has excess production capacity
- When an organization's basic industry is becoming rapidly global

Guidelines for Market Development Page#90

Six guidelines when market development may be an especially effective strategy are:

- ☐ New channels of distribution that are reliable, inexpensive, and good quality
- ☐ Firm is very successful at what it does
- ☐ Untapped or unsaturated markets
- ☐ Capital and human resources necessary to manage expanded operations
- ☐ Excess production capacity
- ☐ Basic industry rapidly becoming global

Question No: 14 (Marks: 1) - Please choose one

Which strategy would be effective when the stockholders of a firm can minimize their losses by selling the organization's assets?

► **Liquidation**

- Integration
- Differentiation
- Diversification

PG#95 Guidelines for Liquidation

Three guidelines when liquidation may be an especially effective strategy to pursue are:

- ☐ When both retrenchment and divestiture have been pursued unsuccessfully
- ☐ If the only alternative is bankruptcy, liquidation is an orderly alternative
- ☐ When stockholders can minimize their losses by selling the firm's assets

Question No: 15 (Marks: 1) - Please choose one

ABC firm has high production cost in Pakistan due to expensive raw material. The firm is formulating the strategy of capturing the European market as prices of raw material used in ABC firm's products is relatively low in European market and demand is also there for the firm's products. Which of the following strategy the firm is going to use?

► **WO**

- SW
- ST
- WT

Question No: 16 (Marks: 1) - Please choose one

What of the following strategy would you recommend when a firm's SPACE Matrix directional vector has the coordinates (-5, -2)?

- Market penetration
- Market development
- Backward integration

► **Retrenchment**

(-5, -2) falls in Defensive region and in defensive strategy we have Retrenchment

Page#93 and page#100

Divestiture

Liquidation

Question No: 17 (Marks: 1) - Please choose one

ABC company is competing in an industry where the growth rate of that industry from year to year has reached zero or is close to zero, ABC is operating in which industry?

- ▶ Growing industry
- ▶ Emerging industry
- ▶ **mature industry**
- ▶ Declining industry

(Q#14)[http://highered.mcgraw-](http://highered.mcgraw-hill.com/sites/0073054224/student_view0/chapter8/multiple_choice_quiz.html)

[hill.com/sites/0073054224/student_view0/chapter8/multiple_choice_quiz.html](http://highered.mcgraw-hill.com/sites/0073054224/student_view0/chapter8/multiple_choice_quiz.html)

Question No: 18 (Marks: 1) - Please choose one

IE matrix is based on which dimensions?

- ▶ Market share and industry growth
- ▶ Financial strength and industry strength
- ▶ **Weighed scores of IFE and EFE matrices**
- ▶ Market growth and competitive position

It relate to internal (IFE) and external factor evaluation (EFE). The findings form internal and external position and weighted score plot on it. Page#105

Question No: 19 (Marks: 1) - Please choose one

How can the divisions that fall in hold and maintain region of IE matrix be best managed?

- ▶ **Market penetration and product development**
- ▶ Forward integration and backward integration
- ▶ Horizontal diversification and joint venture
- ▶ Mergers and acquisitions

<http://www.mba-tutorials.com/strategy/391-internal-external-ie-matrix.html>

the divisions which comes under cells 3, 5 or 7 can be properly manages with hold and maintain strategies this position is average for the division market penetration and development strategies are most appropriate strategies.

Question No: 20 (Marks: 1) - Please choose one

In Grand strategy matrix what will be the appropriate quadrant for the Ahmad textiles if it is operating in slow growing market and holds weak competitive position?

- ▶ Quadrant I
- ▶ Quadrant II
- ▶ **Quadrant III**
- ▶ Quadrant IV

Quardant-3 contains that company's weak competitive situation and slow market growth. Page#108

Question No: 21 (Marks: 1) - Please choose one

Which of the following is TRUE about weights assigned in QSPM?

- ▶ This refers to preference assigned to the internal and external factors
- ▶ **This refers to relative importance of the internal and external factors**
- ▶ This refers to the insignificance of the internal and external factors

- ▶ This refers to the relative size of the internal and external factors

Step 2

Assign weights to each key external and internal factor. These weights are identical to those in the EFE Matrix and the IFE Matrix. The weights are presented in a straight column just to the right of the external and internal critical success factors. There are four main columns in QSPM, the left column list down the key internal and external key factors which are same as in EFE and IFE matrix. Adjacent column to key factors is Weight (relative importance of the factor) which hold the numeric value obtained from EFE and IFE matrix weight column.

<http://www.mba-tutorials.com/strategy/230-quantitative-strategic-planning-matrix-qspm.html>

Question No: 22 (Marks: 1) - Please choose one

Numerical values that indicate the relative attractiveness of each strategy in a given set of alternative strategies is referred as:

- ▶ Total attractiveness score
- ▶ **Attractiveness score**
- ▶ Weighted score
- ▶ Total weighted score

Determine the Attractiveness Scores (AS), defined as numerical values that indicate the relative attractiveness of each strategy in a given set of alternatives.

Question No: 23 (Marks: 1) - Please choose one

What can be the limitation of QSPM?

- ▶ Only a few strategies can be evaluated simultaneously
- ▶ The cost of doing the analysis is very high
- ▶ **Intuitive judgments and educated assumption are required**
- ▶ It requires equal participation of everyone in organization

Page#111 Limitations

1. Requires intuitive judgments and educated assumptions
2. Only as good as the prerequisite inputs
3. Only strategies within a given set are evaluated relative to each other

Question No: 24 (Marks: 1) - Please choose one

Which of the following is a deliberate plan of action, guidelines, methods, procedures to guide decisions and achieve rational outcome?

- ▶ Annual objectives
- ▶ Strategies
- ▶ **Policies**
- ▶ Goals

A policy is a deliberate plan of action to guide decisions and achieve rational outcome(s). <http://www.financialcrisis2009.org/forum/Corporations/What-is-the-difference-between-a-procedures-manual-and-policy-manual-294935.htm>

Question No: 25 (Marks: 1) - Please choose one

Why do changes in company strategy often require changes in the way an organization is structured?

- ▶ **Because structure depicts how goals will be established**
- ▶ Because structure dictates how authorities will be delegated
- ▶ Because structure dictates how resources will be obtained

- ▶ Because structure dictates how financial resources are spent

Question No: 26 (Marks: 1) - Please choose one

Which organizational structure is the most simple and economical?

- ▶ Strategic business unit
- ▶ **Functional structure**
- ▶ Divisional structure
- ▶ Matrix structure

The most widely used structure is the functional or centralized type because this structure is the simplest and least expensive of the seven alternatives. Page#118

Question No: 27 (Marks: 1) - Please choose one

A divisional structure by geographic area is most appropriate in which of the following situation?

- ▶ **Organizations have similar branch facilities in dispersed areas**
- ▶ Organization offers a limited number of products or services
- ▶ Organization needs strict control over product lines
- ▶ Organization has to serve a large geographic area

A divisional structure by geographic area is appropriate for organizations whose strategies need to be tailored to fit the particular needs and characteristics of customers in different geographic areas. This type of structure can be most appropriate for organizations that have similar branch facilities located in widely dispersed areas Page#119

Question No: 28 (Marks: 1) - Please choose one

Which of the following is best identified as being an adaptation of the divisional structure?

- ▶ Vertical Integration
- ▶ **Strategic business units**
- ▶ Joint venture
- ▶ None of the given options

(Q#5http://highered.mcgraw-hill.com/sites/0073381365/student_view0/chapter11/multiple_choice_quiz.html)

Question No: 29 (Marks: 1) - Please choose one

All of the following fall under the category of restructuring EXCEPT:

- ▶ Reducing number of employees
- ▶ **Reducing number of shareholders**
- ▶ Reducing number of divisions
- ▶ Reducing number of hierarchical levels

Restructuring—also called downsizing, rightsizing, or delayering—involves reducing the size of the firm in terms of number of employees, number of divisions or units, and number of hierarchical levels in the firm's organizational structure.

Page#120

Question No: 30 (Marks: 1) - Please choose one

Which one of the following is Educative change strategy?

- ▶ Giving orders to subordinates and enforcing those orders
- ▶ Changing the strategy of educational institutions
- ▶ **Presenting information to convince people of the need for change**

► Attempting to convince individuals that the change is for their interest
The educative change strategy is one that presents information to convince people of the need for change; Page#124

Question No: 31 (Marks: 1) - Please choose one

Under Just in Time (JIT) approach, when the new stock is ordered?

- When stock comes to an end
- **When stock reaches the re-order level**
- On 1st of each month
- At the start of the year

New stock is ordered when stock reaches the re-order level. Page#126

Question No: 32 (Marks: 1) - Please choose one

Which one of the following variables is not directly affected by market segmentation?

- Product
- Place
- **Process**
- Price

Question No: 33 (Marks: 1) - Please choose one

Which one of the following is an example of product decisions?

- **Brand name**
- Volume discounts
- Distribution channels
- Order processing

Handout Page#132

Question No: 34 (Marks: 1) - Please choose one

In the low earnings period, which one of the following can endanger stockholders' return and can put in danger the company survival?

- **Too much debt in the capital structure**
- Too much liquid assets in the capital structure
- Too much equity in the capital structure
- Too much tax in the capital structure

In low earning periods, too much debt in the capital structure of an organization can endanger stockholders' return and jeopardize company survival. Page#136

Question No: 35 (Marks: 1) - Please choose one

Which element in the projected income statement cannot be forecasted using the percentage-of-sales method?

- Cost of goods sold
- **Interest expense**
- Selling expense
- Administrative expense

Which element in the projected income statement cannot be forecasted using the percentage-of-sales method?

- a. Cost of goods sold
- b. Selling expense
- c. Administrative expense

- d. Interest expense
- e. All of these items are forecasted using the percentage-of-sales method.

Ans: d Page: 319

Question No: 36 (Marks: 1) - Please choose one

Which of these is the most common type of budgeting time frame?

- ▶ Daily
- ▶ Monthly
- ▶ Quarterly
- ▶ **Annually**

98. Which of these is the most common type of budgeting time frame?

- a. Daily
- b. Quarterly
- c. Annual
- d. Every decade
- e. Monthly

Ans: c Page: 287

Question No: 37 (Marks: 1) - Please choose one

Which of the following is NOT accepted for determining a business worth?

- ▶ Firm'holdingss
- ▶ Firm'earnings
- ▶ Firm'return on investments
- ▶ **Firm'bringing in to the markets**

Question No: 38 (Marks: 1) - Please choose one

If technology is changing rapidly and the market is growing slowly then what decision the firm should take regarding R & D?

- ▶ In-house R&D should be established
- ▶ Acquisition of a well-established firm in the industry
- ▶ **R&D investment is risky, so don't take any action**
- ▶ Obtain R&D expertise on an nonexclusive basis

If technology is changing rapidly and the market is growing slowly, then a major effort in R&D may be very risky, because it may lead to development of an ultimately obsolete technology or one for which there is no market. Page#141

Question No: 39 (Marks: 1) - Please choose one

Which of the following is NOT one of the major approaches to R&D?

- ▶ To be an innovative imitator of successful products
- ▶ To be a low-cost producer by mass-producing products
- ▶ **To be a differentiated products manufacturer in industry**
- ▶ To be the first firm to market new technological products

There are at least three major R&D approaches for implementing strategies.

1. First firm to market new technological products
2. Be an innovative imitator of successful products
3. Low-cost producer of similar but less expensive products Page#141

Question No: 40 (Marks: 1) - Please choose one

What is the appropriate time frame for strategy-evaluation activities?

- ▶ At the beginning of a problem
- ▶ **On a continuous basis**

- ▶ Upon completion of major projects
- ▶ After the closing of financial year

CHAPTER 9

Strategy-evaluation activities should be performed

- a. on a periodic basis.
- b. at the onset of a problem.
- c. on a continuous basis.
- d. upon completion of major projects.

Ans: c

Page: 304

Question No: 41 (Marks: 1) - Please choose one

XYZ Company has controlled its distributors so that no other firm can access the scarce natural resources available in the country, which are used in XYZ's production. This action is taken in order to reduce which of the following:

- ▶ The bargaining power of customers
- ▶ The bargaining power of suppliers
- ▶ **The threat of new entrants**
- ▶ The threat of substitute products

The threat of new entrants

- the existence of barriers to entry
- economies of product differences
- brand equity
- switching costs
- capital requirements
- access to distribution
- absolute cost advantages
- learning curve advantages
- expected retaliation
- government policies

Question No: 42 (Marks: 1) - Please choose one

Which one of the following statements best describes the activity 'marketing and sales' of Porter's supply chain model?

- ▶ Machining, packaging, assembly, equipment maintenance & testing
- ▶ **Activities linked with getting buyers to purchase the product**
- ▶ Activities that maintain and enhance the product's value
- ▶ Receiving, storing, inventory control & transportation planning

Marketing and Sales: The activities associated with getting buyers to purchase the product, including: channel selection, advertising, promotion, selling, pricing, retail management, etc. Page#147

Question No: 43 (Marks: 1) - Please choose one

Outbound logistics includes which one of the following?

- ▶ Receiving, storing, inventory control, transportation planning
- ▶ Machining, packaging, assembly, equipment maintenance, testing
- ▶ **Activities required to get the finished product at the customers**
- ▶ Activities that maintain and enhance the product's value

Outbound Logistics: The activities required to get the finished product at the

customers: warehousing, order fulfillment, transportation, distribution management Page#147

Question No: 44 (Marks: 1) - Please choose one

Which of the following statement is TRUE about Inbound Logistics?

► **It includes receiving, storing, inventory control & transportation planning**

- It includes machining, packaging, assembly, equipment maintenance & testing
- It includes activities required to deliver the finished product to the customers' end
- It includes the activities that maintain and enhance the product's value

Inbound Logistics. Includes receiving, storing, inventory control, transportation planning. Page#147

Question No: 45 (Marks: 1) - Please choose one

All of the following are support activities of Porter's supply chain model EXCEPT:

► Firm Infrastructure

► **Marketing and Sales**

► Technology Development

► Procurement

(Handout Page#147)

Question No: 46 (Marks: 1) - Please choose one

To make changes in the organization's management, marketing, finance/accounting and R&D, which one of the following should be focused?

► Revised mission

► **Revised IFE matrix**

► Revised EFE matrix

► Revised EPM matrix

A revised IFE Matrix should focus on changes in the organization's management, marketing, finance/accounting, production/operations, R&D, and computer information systems strengths and weaknesses. Page#150

Question No: 47 (Marks: 1) - Please choose one

A revised IFE Matrix should focus on which one of the following?

► Changes in the organization's management, marketing R & D, computer information system and external environment

► **Marketing, finance/accounting, production/operations, R&D and computer information systems strengths and weaknesses**

► Effectiveness of a firm's strategies in response to key opportunities and threats

► Effectiveness of an organization's strategy in pursuing the competitive goals and managerial actions

A revised IFE Matrix should focus on changes in the organization's management, marketing, finance/accounting, production/operations, R&D, and computer information systems strengths and weaknesses. Page#150

Question No: 48 (Marks: 1) - Please choose one

Which of the following statement is TRUE about most of the quantitative criteria of evaluating strategies?

► **These are geared to annual objective**

► These are geared to short-term objective

► These are geared to long-term objective

► These are geared to social objectives

First, most quantitative criteria are geared to annual objectives rather than long-term objectives. Page#153

Question No: 49 (Marks: 1) - Please choose one

Which one of the following is NOT correct about financial ratios?

- ▶ These are used to compare the firm's performance over different time periods
- ▶ These are used to compare the firm's performance relevant to its competitors'
- ▶ These are used to compare the firm's performance in relation to industry averages
- ▶ **These are used to compare the firm's performance in relation to future trends**

(1) Comparing the firm's performance over different time periods,

(2) Comparing the firm's performance to competitors',

(3) Comparing the firm's performance to industry averages. Page#151

Question No: 50 (Marks: 1) - Please choose one

A good evaluation system must possess various qualities. Which of the following is not a characteristic of a good strategy evaluation system?

- ▶ Strategy-evaluation activities must be economical
- ▶ Strategy-evaluation activities should be meaningful
- ▶ **Strategy-evaluation activities should dominate the decisions**
- ▶ Strategy-evaluation activities should provide timely information

Page#154 • First, strategy-evaluation activities must be economical; too much information can be just as bad as too little information; and too many controls can do more harm than good.

- Strategy-evaluation activities also should be meaningful; they should specifically relate to a firm's objectives.
- Strategy-evaluation activities should provide timely information; on occasion and in some areas, managers may need information daily.

Question No: 51 (Marks: 1) - Please choose one

Which of the following enables the firm to create superior value for its customers and superior profits for itself in comparison to its rival firms?

- ▶ **Competitive advantage**
- ▶ Comparative advantage
- ▶ Differential advantage
- ▶ Suitable advantage

Competitive advantage enables the firm to create superior value for its customers and superior profits for itself <http://www.quickmba.com/strategy/competitive-advantage/>

Question No: 52 (Marks: 1) - Please choose one

Adapting to change confronts an organization's strategic management to which of the following issue(s):

- ▶ What kind of business we should be in?
- ▶ Are we in the right field?
- ▶ Should we reshape our business?
- ▶ **All of the given options**

The need to adapt to change leads organizations to key strategic management questions, such as "What kind of business should we become?" "Are we in right

field?” “Should we reshape our business?” “Are new technologies being developed that could put us out of business?” Page#06

Question No: 53 (Marks: 1) - Please choose one

Which of the following environment includes all those factors which affect the organization and is itself affected by the organization?

► **Task environment**

- Social environment
- External environment
- Internal environment

Task environment includes all those factors which affect the organization and itself affected by the organization. Page#08

Question No: 54 (Marks: 1) - Please choose one

Non-financial benefits of strategic management include all of the following EXCEPT:

- Enhanced awareness of threats
- Reduced resistance to change
- **Increase in sales**
- Better awareness of external threats

Non- financial Benefits Page#13

- ⌚ Increased employee productivity
- ⌚ Improved understanding of competitors' strategies
- ⌚ Greater awareness of external threats
- ⌚ Understanding of performance reward relationships
- ⌚ Better problem-avoidance
- ⌚ Lesser resistance to change

Question No: 55 (Marks: 1) - Please choose one

Which cell of the TOWS Matrix involves matching internal strengths with external opportunities?

- The WT cell
- **The SO cell**
- The SW cell
- The ST cell

(page 98) SO Strategies (strength-opportunities),

Question No: 56 (Marks: 1) - Please choose one

In the Boston Consulting Group (BCG) growth-share matrix, which strategy in the matrix describes large generation of cash and heavy investment needed to grow and maintain competitive positioning but net cash flow is usually modest?

- **Stars**
- Dogs
- Cash cows
- Question marks

Stars describe a business with a strong competitive position in the industry. The industry is robust and SBUs are highly attractive. Net cash flow is modest since investment is heavy although stars generate large amounts of cash.

<http://arjun.net.np/bba/bcg.php>

Question No: 57 (Marks: 1) - Please choose one

Which of the following best describes “Strategy Implementation”?

- It refers to positioning forces before the action

► It focuses on effectiveness

► **It requires coordination among many individuals**

► It requires coordination among few individuals

(page 112) Strategy formulation is positioning forces before the action.

○ Strategy implementation is managing forces during the action.

○ Strategy formulation focuses on effectiveness.

○ Strategy implementation focuses on efficiency.

○ Strategy formulation is primarily an intellectual process.

○ Strategy implementation is primarily an operational process.

○ Strategy formulation requires good intuitive and analytical skills.

○ Strategy implementation requires special motivation and leadership skills.

○ Strategy formulation requires coordination among a few individuals.

○ Strategy implementation requires coordination among many persons.

Question No: 58 (Marks: 1) - Please choose one

Which of the following is NOT a rule of thumb when using product positioning as a strategy-implementation tool?

► “Don’t squat between segments”

► “Look for the whole or vacant niche”

► **“Try to serve more than one segment with the same strategy”**

► “Don’t position yourself in the middle of the map”

Question No: 59 (Marks: 1) - Please choose one

There are numerous external and internal factors that can prohibit firms from achieving long-term and annual objectives. Which of the following is NOT an external factor?

► Actions by competitors

► Changes in technology

► Changes in demand

► **Ineffective strategies**

Externally, actions by competitors, changes in demand, changes in technology, economic changes, demographic shifts, and governmental actions may prohibit objectives from being accomplished. Page#150

Question No: 60 (Marks: 1) - Please choose one

According to “Linneman and Chandran”, which of the following permits quick response to change, prevents panic in crisis situations and makes managers more adaptable?

► Forecasting

► **Contingency planning**

► Taking corrective actions

► Environmental scanning

Linneman and Chandran reported that contingency planning gave users such as DuPont, Dow Chemical, Consolidated Foods, and Emerson Electric three major benefits: It permitted quick response to change, it prevented panic in crisis situations, and it made managers more adaptable by encouraging them to appreciate just how variable the future can be. Page#155

Paper 7

FINAL TERM EXAMINATION

Fall 2008

MGT603- Strategic Management (Session - 2)

Question No: 1(Marks: 1) - Please choose one

R&D expertise should be obtained through acquisition of a well-established firm in the industry in which of the following situation?

► **If both technical progress and market growth are fast**

► If technology is changing slowly but the market is growing fast

► If the technical progress is slow, market growth the rate is moderate

► If technology is changing rapidly and the market is growing slowly

PAGE#141 If both technical progress and market growth are fast, R&D expertise should be obtained through acquisition of a well-established firm in the industry.

Question No: 2(Marks: 1) - Please choose one

A desired future state that the organization attempts to realize". Identify the term relevant to the given statement.

► Policy

► Procedure

► **Goal**

► Strategy

A goal is a **desired future state that the organization attempts to realize**

Question No: 3(Marks: 1) - Please choose one

The purpose of a mission statement is to declare all of the following EXCEPT:

► A reason of being

► A statement of purpose

► **An annual financial plan**

► A statement of beliefs

Page#16 Mission statement:

- An enduring statement of purpose
- distinguishes one firm from another in the same business
- A declaration of a firm's reason for existence

Question No: 4 (Marks: 1) - Please choose one

Ethnic balance changes due to the migration of the people from different areas to different areas. This affects the ethical behavior very much", this is the effect of which of the following forces?

► Economic forces

► **Social, cultural, and demographic forces**

► Technological forces

► Competitive forces

(Handout page 31) Ethnic balance changes due to the migration of the people from different areas to different areas. This affects the ethical behavior very much. As the traditions and norms are very much different in different areas of Pakistan

Question No: 5(Marks: 1) - Please choose one

Which of the following can be considered as barriers to entering a market or industry?

► The lack of economies of scale and experience and low levels of brand loyalty

► The presence of large number of rivals already in the industry

► **Relatively large capital requirements and industry have economies of scale**

► The absence of tariffs, trade restrictions, and/or government-mandated regulations

http://books.google.com/books?id=6ltZtTi6Vo4C&pg=PT263&dq=Relatively+large+capital+requirements+and+industry+have+economies+of+scale&hl=en&ei=6q97TenFK8WyrAex4vnUBO&sa=X&oi=book_result&ct=result&resnum=2&ved=0CCwO6AEwAO#v=onepage&q=Relatively%20large%20capital%20requirements%20and%20industry%20have%20economies%20of%20scale&f=false

Question No: 6(Marks: 1) - Please choose one

Which one of the statements is a good example of the competitive power of substitute products?

► **The competition between contact lens and eyeglasses**

► The competition between Amazon.com and traditional off-line bookstores

► The competition between cellular phones and computers

► The competition between Aspirin and joshanda

Indirect competitors sell products that can be substitutes for existing products such as contact lenses as a substitute for glasses.

Question No: 7(Marks: 1) - Please choose one

Assigning 1 rating to a key external factor indicates that:

► Response is average

► **Response is poor**

► Response is superior

► Response is above average

Assign a 1-to-4 rating to each key external factor to indicate how effectively the firm's current strategies respond to the factor, where = 5 the response is superior, 3 = the response is above average, 2 = the response is average, and 1 = the response is poor. Page#44

Question No: 8(Marks: 1) - Please choose one

What is the difference between CPM and EFE?

► **CPM includes both internal and external issues**

► The weight and total weighted score mean opposite

► CPM ratings range from 1 to 10

► CPM is performed only for the large businesses

Page# 46 The weights and total weighted scores in both a CPM and EFE have the same meaning. However, the factors in a CPM include both internal and external issues

Question No: 9(Marks: 1) - Please choose one

Which of the following can be the strength of an organization?

► A developing market

► A new international market

► Loosening of regulation

► **Strong management team**

Question No: 10(Marks: 1) - Please choose one

"Max Rent-a-Car" is opening car rental shops in Wal-Mart stores, is an example of which type of strategy?

► **Forward Integration**

► Backward Integration

► Related diversification

► Unrelated diversification

Question No: 11(Marks: 1) - Please choose one

Which of the followings involves the substantial modification of existing product the creation of new but related products that can be marketed to current customers through established channels?

- ▶ Innovation
- ▶ Differentiation
- ▶ **Product development**
- ▶ Market development

Ref: Product development is a strategy that seeks increased sales by improving or modifying present products or services.P#90

Question No: 12(Marks: 1) - Please choose one

Abdullah Group of Industries is involved in the sale most likely to say that Abdullah Group is implement strategy.

- ▶ Join venture
- ▶ Acquisition
- ▶ Liquidation
- ▶ **Retrenchment**

MID term question (question is not completed)

Abdullah Group of Industries is involved in the sale of its marginal business. It is most likely to say that Abdullah Group is implementing _____ strategy.

- ▶ Join venture
- ▶ Acquisition
- ▶ Liquidation
- ▶ **Retrenchment**

Question No: 13(Marks: 1) - Please choose one

Which strategy should be implemented when a division organization's overall poor performance?

- ▶ **Divestiture**
- ▶ Forward integration
- ▶ Cost leadership
- ▶ Related diversification

Guidelines for Divestiture When a division is responsible for the firm's overall poor performance PAGE#94

Question No: 14 (Marks: 1) - Please choose one

Matching stage of strategy formulation framework comprises of formulation of which of the following set of matrices?

- ▶ BCG, SPACE, QSPM matrix
- ▶ **BCG, SPACE, TWOS Matrix**
- ▶ SPACE, TWOS and IFE matrix
- ▶ BCG, SPACE, EFE Matrix

Page#97 Stage-2 (Matching stage)

1. TWOS Matrix (Threats-Opportunities-Weaknesses-Strengths)
2. SPACE Matrix (Strategic Position and Action Evaluation)
3. BCG Matrix (Boston Consulting Group)
4. IE Matrix (Internal and external)

5. GS Matrix (Grand Strategy)

Question No: 15(Marks: 1) - Please choose one

"Other than ranking strategies to achieve the prioritized list, only one analytical technique in strategy formulation which is designed to determine the relative attractiveness of feasible alternative actions" is known as:

► SPACE

► **QSPM**

► IFE

► CPM

That is only technique designed to determine the relative attractiveness of feasible alternative action. Page#110

Question No: 16(Marks: 1) - Please choose one

ABC Corporation can have competitive advantage over its competitor by taking all of the following actions EXCEPT:

► By increasing product quality

► **By having debt to equity ratio=1**

► By altering product life cycle

► By increasing customer base

Question No: 17(Marks: 1) - Please choose one

What type of strategies would you recommend when a firm's SPACE Matrix directional vector has the coordinates (-4, -4)?

► Aggressive

► Conservative

► Competitive

► **Defensive**

Question No: 18(Marks: 1) - Please choose one

A position vector with (-6, +6) coordinates describes which one of the following statement regarding SPACE analysis matrix?

► A financially weak and highly competitively firm

► A financially strong and highly competitively firm

► **A Financially strong firm but competitively weak**

► A financially as well as competitively weak firm

(page 100) Because $(-6, +6) = (-x, +y)$ and $-x$ axis show different level of weak CA and $+y$ show different level of strong FS

Question No: 19(Marks: 1) - Please choose one

Business units that have low market share and are operating in slow-growing industry should choose all of the following EXCEPT:

► **New investments**

► Production efficiency

► Distribution efficiency

► Product innovation

Low-growth, low-share businesses and products (they may generate enough cash to maintain themselves, but do not have much future). The company can divest the SBU. <http://www.flashcardmachine.com/marketing-chapter-21.html>

Question No: 20(Marks: 1) - Please choose one

On the x-axis of IE Matrix, an IFE total weighted score of 3.75 depicts what?

- ▶ A weak internal position
- ▶ An average internal position
- ▶ **A strong internal position**
- ▶ A low internal position

Page#106 On the x-axis of the IE Matrix, an IFE total weighted score of 1.0 to 1.99 represents a weak internal position; a score of 2.0 to 2.99 is considered average; and a score of 3.0 to 4.0 is strong.

Question No: 21(Marks: 1) - Please choose one

Which of the following is TRUE about weights assigned in QSPM?

- ▶ This refers to preference assigned to the internal and external factors
- ▶ **This refers to relative importance of the internal and external factors**
- ▶ This refers to the insignificance of the internal and external factors
- ▶ This refers to the relative size of the internal and external factors

Step 2

Assign weights to each key external and internal factor. These weights are identical to those in the EFE Matrix and the IFE Matrix. The weights are presented in a straight column just to the right of the external and internal critical success factors. There are four main columns in QSPM, the left column list down the key internal and external key factors which are same as in EFE and IFE matrix. Adjacent column to key factors is Weight (relative importance of the factor) which hold the numeric value obtained from EFE and IFE matrix weight column.

<http://www.mba-tutorials.com/strategy/230-quantitative-strategic-planning-matrix-qspm.html>

Question No: 22(Marks: 1) - Please choose one

What can be the limitation of QSPM?

- ▶ Only a few strategies can be evaluated simultaneously
- ▶ The cost of doing the analysis is very high
- ▶ **Intuitive judgments and educated assumption are required**
- ▶ It requires equal participation of everyone in organization

Page#111

Limitations

1. Requires intuitive judgments and educated assumptions
2. Only as good as the prerequisite inputs
3. Only strategies within a given set are evaluated relative to each other

Question No: 23(Marks: 1) - Please choose one

Which of the following is NOT a part of resource allocation plan?

- ▶ Basic allocation decision
- ▶ Contingency mechanisms
- ▶ **Primary allocation mechanism**
- ▶ None of the given options

The plan has two parts: Firstly, there is the basic allocation decision and secondly there are contingency mechanisms. Page#116

Question No: 24(Marks: 1) - Please choose one

Which one of the following is not an approach to resolve conflicts?

- ▶ Avoidance
- ▶ Diffusion

► Confrontation

► **Ignorance**

Strategies for resolving or preventing the development of conflict can be classified as avoidance, diffusion, or confrontation. <http://www.bookrags.com/research/conflict-resolution-geca/>

Question No: 25(Marks: 1) - Please choose one

Which approach for managing and resolving conflict involves playing down differences between conflicting parties while stressing on similarities and common interests?

► Avoidance

► Compliance

► **Diffusion**

► Confrontation

A diffusion strategy can include playing down differences between conflicting parties while accenting similarities and common interests, compromising so that there is neither a clear winner nor loser, resorting to majority rule, appealing to a higher authority, or redesigning present positions.

<http://pechdawin.blogspot.com/2010/10/glossary-fo-strategic-management.html>

Question No: 26(Marks: 1) - Please choose one

Which of the following is best identified as being an adaptation of the divisional structure?

► Vertical Integration

► **Strategic business units**

► Joint venture

► None of the given options

Question No: 27(Marks: 1) - Please choose one

All of the following would be considered as true statements regarding the matrix organizational structure EXCEPT which one?

► **It reduces managerial positions**

► It shares authority and responsibility among managers

► It distributes stress among the team members

► It maintains better balance between time and performance

A matrix structure can result in higher overhead because it creates more management positions. Page#120

Question No: 28(Marks: 1) - Please choose one

The inventory is viewed as which of the following in Just In Time Inventory system

► **Incurring costs**

► Adding value

► Disburse expense

► None of the given options

Page#127

First off inventory is seen as incurring costs instead of adding value, contrary to traditional thinking.

Question No: 29(Marks: 1) - Please choose one

What is NOT a major benefit of having a diverse workforce?

► Improvement of the bottom line

► **An increase in training costs**

- ▶ An increase in productivity
- ▶ A decrease in complaints

CHAPTER 7

Here are 13 Benefits of a Diverse Workforce:

1. Improves corporate culture
2. Improves employee morale
3. Leads to a higher retention of employees
4. Leads to an easier recruitment of new employees
5. Decreases complaints and litigation
6. Increases creativity
7. Decreases interpersonal conflict between employees
8. Enables the organization to move into emerging markets
9. Improves client relations
10. Increases productivity
11. Improves the bottom line
12. Maximizes brand identity
13. Reduces training costs

Question No: 30(Marks: 1) - Please choose one

Market segmentation is especially used in implementing strategies by which of the following firms?

▶ Small firms

- ▶ Large firms
- ▶ Medium-size firms
- ▶ All of the given options

Market segmentation is widely used in implementing strategies, especially for small and specialized firms. Page#130

Question No: 31(Marks: 1) - Please choose one

All of the following are the requirements for successful segmentation EXCEPT:

- ▶ Segment is large enough to be profitable

▶ Homogeneity between the segments

- ▶ Segments are accessible and actionable
- ▶ Heterogeneity between segments

Page#129 The requirements for successful segmentation are:

- Homogeneity within the segment
- Heterogeneity between segments
- Segments are measurable and identifiable
- Segments are accessible and actionable
- Segment is large enough to be profitable.....

Question No: 32(Marks: 1) - Please choose one

"The process of dividing markets into groups of consumers who are similar to each other". Which of the following terms describes the statement?

- ▶ Positioning

▶ Segmentation

- ▶ Marketing
- ▶ Targeting

Segmentation

The process of dividing markets into groups of consumers who are similar to each other, but different to the consumers in other groups.

<http://www.esomar.org/index.php/glossary-s.html>

Question No: 33(Marks: 1) - Please choose one

Which of the following statements is FALSE about mass marketing?

► Mass marketing reduces costs through economies of scale by the increased volume

► **Mass marketing does not try to please all customers with same offering**

► Mass marketing allows economies of scale to be realized through mass production

► Mass Marketing means attempting to sell the same product to a wider audience

Because

The appeal of mass marketing is in the potential for higher total profits. Companies that employ the system expect the larger profit to result from (1) expanded volume through lower prices and (2) reduced costs through economies of scale made possible by the increased volume.

Mass marketing allows economies of scale to be realized through mass production, mass distribution, and mass communication It is type of marketing of a product to a wide audience. <http://www.bookrags.com/research/mass-marketing-ebf-02/marketing-mix-ebf-02.html>

Question No: 34(Marks: 1) - Please choose one

Which of these is the most common type of budgeting time frame?

► Daily

► Monthly

► Quarterly

► **Annually**

Question No: 35(Marks: 1) - Please choose one

At least how many R & D approaches are used for the implementation of strategy?

► **Three**

► Four

► Five

► Two

(P141)There are at least three major R&D approaches for implementing strategies.

1. First firm to market new technological products

2. Be an innovative imitator of successful products

3. Low-cost producer of similar but less expensive products

Question No: 36(Marks: 1) - Please choose one

Which one of the following is not a rivalry determinant of Porter's model?

► **Differentiation of inputs**

► Industry growth

► Diversity of competitors

► Switching costs

(P142)<http://books.google.com.pk/books?id=REJvYhuWD1IC&pg=PA142&lpg=PA142&dq=Which+one+of+the+following+is+not+a+rivalry+determinant+of+Porter%27s+model%3F+%E2%96%BA%09Differentiation+of+inputs+%E2%96%BA%09Industry+growth+%E2%96%BA%09Diversity+of+competitors+%E2%96%BA%09Switching+costs&source=bl&ots=6wvWgZJPU5&sig=jka1nMNxFBH6C2vPGIqHYpZU7Fc&hl=en&ei>

[=OC0XTb3CMcih8QOe9vTBg&sa=X&oi=book_result&ct=result&resnum=3&ved=0C
CQQ6AEwAg#v=onepage&q&f=false](#)

Question No: 37(Marks: 1) - Please choose one

What is the purpose of strategy evaluation?

- ▶ Increase the budget annually
- ▶ **Alert management of problems**
- ▶ Make budget changes
- ▶ Evaluate employees' performance

Page#145 Purpose of strategy evaluation

- Strategy evaluation is vital to the organization's well-being
- Alert management to potential or actual problems in a timely fashion
- Erroneous strategic decisions can have severe negative impact on organizations

Question No: 38(Marks: 1) - Please choose one

All of the following are the examples of technology development EXCEPT:

- ▶ Research and Development

▶ **Quality management**

- ▶ Process automation
- ▶ Design and redesign

Technology Development: Includes technology development to support the value chain activities. Such as: Research and Development, Process automation, design, redesign. Page#147

Question No: 39(Marks: 1) - Please choose one

Strategy evaluation is based on which of the following?

- ▶ Quantitative and empirical criteria
- ▶ Empirical and qualitative criteria
- ▶ Qualitative and objective criteria

▶ **Qualitative and quantitative criteria**

Strategy evaluation is based on both quantitative and qualitative criteria. Page#153

Question No: 40(Marks: 1) - Please choose one

Which of the following statement is TRUE about most of the quantitative criteria evaluating strategies?

- ▶ **These are geared to annual objective**
- ▶ These are geared to short-term objective
- ▶ These are geared to long-term objective
- ▶ These are geared to social objectives

First, most quantitative criteria are geared to annual objectives rather than long-term objectives. Page#151

Question No: 41(Marks: 1) - Please choose one

What is the basis for quantitative financial evaluation?

- ▶ The EPS/EBIT Analysis
- ▶ Capital Asset Pricing Model

▶ **Financial ratios**

- ▶ Present value analysis

Quantitative criteria commonly used to evaluate strategies are financial ratios

Page#151

CHAPTER 9 (Q#88)

Question No: 42(Marks: 1) - Please choose one

The people who perform audit can be categorized as all of the following EXCEPT:

- ▶ Independent auditors
- ▶ **Financial auditors**
- ▶ Government auditors
- ▶ Internal auditors

People who perform audits can be divided into three groups: independent auditors, government auditors, and internal auditors. Page#155

Paper 8

FINAL TERM EXAMINATION

Fall 2008

MGT603- Strategic Management (Session - 1)

Question No: 1(Marks: 1) - Please choose one

Strategic management integrates all of the following areas EXCEPT:

- ▶ Management
- ▶ Marketing
- ▶ Research and development
- ▶ **Human resource management**

Strategic management – A route to success Page#02

- ⌚ Marketing
- ⌚ Management
- ⌚ Finance
- ⌚ Research and development

Question No: 2(Marks: 1) - Please choose one

Strategist is an individual who is involved in the strategic management process, thus may be known as:

- ▶ Member board of director
- ▶ **President**
- ▶ Division manager
- ▶ All of the given options

Question No: 3(Marks: 1) - Please choose one

"A desired future state that the organization attempts to realize". Identify the term relevant to the given statement.

- ▶ Policy
- ▶ Procedure
- ▶ **Goal**
- ▶ Strategy

A goal is a desired future state that the organization attempts to realize

Question No: 4(Marks: 1) - Please choose one

Which of the following business actions is NOT considered to be unethical?

- ▶ Poor product or service safety
- ▶ Using non-union labor in a union shop
- ▶ Misleading advertising
- ▶ **Too expensive products**

Page#15 Some business actions always considered to be unethical include misleading

advertising or labeling, causing environmental harm, poor product or service safety, padding expense accounts, insider trading, dumping banned or flawed products. In foreign markets, lack of equal opportunities for women and minorities, overpricing, hostile takeovers, moving jobs overseas, and using nonunion labor in a union shop.

Question No: 5(Marks: 1) - Please choose one

Which type of trend can be exemplified by the increase in average level of education in a society?

- ▶ Cultural
- ▶ Technological
- ▶ Economic
- ▶ **Social**

http://www.adb.org/documents/books/education_natldev_asia/chap02.pdf

Question No: 6(Marks: 1) - Please choose one

Allocation and reallocation of capital and resources to projects, products, assets, and divisions of an organization is known as:

- ▶ **Investment decisions**
- ▶ Financing decisions
- ▶ Restructuring decisions
- ▶ Strategic decision

Page#64 The investment decision, also called capital budgeting, is the allocation and reallocation of capital and resources to projects, products, assets, and divisions of an organization.

Question No: 7(Marks: 1) - Please choose one

All of the following fall under the category of 'Process' function of production management EXCEPT:

- ▶ Choice of technology
- ▶ **Quality assurance**
- ▶ Process flow analysis
- ▶ Transportation analysis

Page#68 Process decisions concern the design of the physical production system. Specific decisions include choice of technology, facility layout, process flow analysis, facility location, line balancing, process control, and transportation analysis.

Question No: 8(Marks: 1) - Please choose one

A planned activity aimed at discovery of new knowledge with the hope of developing new or improved products and services and translation of its findings into a plan or design of new or improved products and services is known as:

- ▶ Marketing
- ▶ **Research and development**
- ▶ Production
- ▶ Management information system

RESEARCH & DEVELOPMENT (R&D) is research as a planned activity aimed at discovery of new knowledge with the hope of developing new or improved products and services. Development is the translation of the research findings into a plan or design of new or improved products and services.

<http://www.ventureline.com/accounting-glossary/R/research-and-development-definition/>

Question No: 9(Marks: 1) - Please choose one

_____ become/s information only when it/they is/are evaluated, filtered, condensed, analyzed and organized for a specific purpose, problem, individual, or time.

► Material

► **Data**

► Competitive advantages

► Competitor analysis

Data becomes information only when it is evaluated, filtered, condensed, analyzed, and organized for a specific purpose, problem, individual, or time. Page#74

Question No: 10(Marks: 1) - Please choose one

The Web sites that sell products directly to the consumers are the examples of which type of strategy?

► Backward integration

► Product development

► **Forward integration**

► Horizontal integration

Page#81

Forward integration strategy refers to the transactions between the customers and firm. Similarly, the function for the particular supply which the firm is being intended to involve itself will be called backward integration.

Question No: 11(Marks: 1) - Please choose one

The extent to which a business concentrates on a narrowly defined market is best referred to as:

► **Niche strategy**

► Cost leadership strategy

► Differentiation strategy

► Segmentation

Page#87 In this strategy the firm concentrates on a select few target markets. It is also called a focus strategy or niche strategy. It is hoped that by focusing your marketing efforts on one or two narrow market segments and tailoring your marketing mix to these specialized markets, you can better meet the needs of that target market.

Question No: 12(Marks: 1) - Please choose one

Under which of the following conditions, Concentric Diversification would be particularly an effective strategy to pursue?

► When an organization has grown so large so quickly that major internal reorganization is needed

► **When sales of current products would increase intensively by adding the new related products**

► When revenues from current products/services would increase significantly by adding the new unrelated products

► When current products are in maturity stage of the product life cycle

Page#91 Guidelines for Concentric Diversification

Five guidelines when concentric diversification may be an effective strategy are provided below: Competes in no- or slow-growth industry

Adding new & related products increases sales of current products

New & related products offered at competitive prices

Current products are in decline stage of the product life cycle

☐ Strong management team

Question No: 13(Marks: 1) - Please choose one

Which of the following stages in the strategy-formulation framework focuses on summarizing the basic information needed to formulate strategies?

► Output

► **Input**

► Decision

► Matching

Input Stage, Stage 1 summarizes the basic input information needed to formulate strategies. Page#97

Question No: 14(Marks: 1) - Please choose one

Which of the following stages of "Strategy Formulation Framework" involves development of Internal-Factor Evaluation Matrix?

► **Input stage**

► Output stage

► Matching stage

► Decision stage

Page#97 Stage-1 (Formulation Framework)

1. External factor evaluation

2. Competitive matrix profile

3. Internal factor evaluation

Question No: 15(Marks: 1) - Please choose one

Which of the following stages of strategy formulation framework involves development of Internal External Matrix?

► Input stage

► Output stage

► **Matching stage**

► Decision stage

Page#105 & 97

Question No: 16(Marks: 1) - Please choose one

In order to avoid the emergence of substitute products, AF & Z Corporation has an access and control over the scarce natural resources necessary for the production of their products, which of the following strategies AF & Z is using?

► SO

► **WO (not sure)**

► SW

► ST

<http://www.quickmba.com/strategy/swot/>

Question No: 17(Marks: 1) - Please choose one

What type of strategies would you recommend when a firm's SPACE Matrix directional vector has the coordinates (-2, +3)?

► Aggressive

► **Conservative**

► Competitive

► Defensive

Handout Page 100

Question No: 18(Marks: 1) - Please choose one

Which of the following is NOT a step for the preparation of a SPACE matrix?

- ▶ Select a set of variables to relating to financial strength, competitive advantage, environmental stability, and industry strength
- ▶ Assign a numerical value ranging from +1 (worst) to +6 (best) to each of the variables that make up the financial strength and industry strength dimensions
- ▶ **Assign weights to the variables according to their relative importance for the firm**
- ▶ Compute an average score and dividing by the number of variables

(P # 102)Steps for the preparation of SPACE Matrix

The steps required to develop a SPACE Matrix are as follows:

1. Select a set of variables to relating to financial strength, competitive advantage, environmental stability, and industry strength.
2. Assign a numerical value ranging from +1 (worst) to +6 (best) to each of the variables that make up the financial strength and industry strength dimensions. Assign a numerical value ranging from -1 (best) to -6 (worst) to each of the variables that make up the environmental stability and competitive advantage dimensions.
3. Compute an average score and dividing by the number of variables

Question No: 19(Marks: 1) - Please choose one

"The business has a strong competitive position but is in a slow-growth industry. Further, the business typically has high cash flow levels and limited internal growth needs." The statement refers which of the following?

- ▶ The firm falling in Quadrant I of Grand Strategy Matrix
- ▶ The firm falling in Quadrant II of Grand Strategy Matrix
- ▶ The firm falling in Quadrant III of Grand Strategy Matrix
- ▶ **The firm falling in Quadrant IV of Grand Strategy Matrix**

Page#108 **Qurdant-4** contains that company's strong competitive situation and slow market growth Quadrant IV firms have characteristically high cash flow levels and limited internal growth needs and often can pursue concentric, horizontal, or conglomerate diversification successfully

Question No: 20(Marks: 1) - Please choose one

What is the product of weights and attractiveness scores for each strategy in QSPM?

- ▶ Sum total attractiveness scores
- ▶ **Total attractiveness scores**
- ▶ Weighted scores
- ▶ Total weighted scores

Total Attractiveness Scores are defined as the product of multiplying the weights (step 3) by the Attractiveness Scores (step 4) in each row

<http://www.maxi-pedia.com/quantitative+strategic+planning+matrix+QPSM>

<http://www.scribd.com/doc/49625014/5/THE-QUANTITATIVE-STRATEGIC-PLANNING-MATRIX-QSPM>

Question No: 21(Marks: 1) - Please choose one

Which of the following is a Functional Q objective?

- ▶ Achieving return on investment of at least 15%
- ▶ **Aiming to achieve a market share of 10%**
- ▶ Attaining operating profit of over Rs.10 million
- ▶ Increase earnings per share by at least 10% every

Page#113 Functional level Objective

Examples of functional marketing objectives” might include:

- We aim to build customer database of at least 250,000 households within the next 12 months
- We aim to achieve a market share of 10%
- We aim to achieve 75% customer awareness of our brand in our target markets

Question No: 22(Marks: 1) - Please choose one

Which of the following is a Corporate level objective?

► Getting 75% customer awareness of company's brand in target markets

► **Increasing earnings per share by at least 10%**

► Building customer database of at least 250,000 companies

► Achieving a 10% share of International market

Page#113 Examples of “corporate objectives might include:

- We aim for a return on investment of at least 15%
- We aim to achieve an operating profit of over £10 million on sales of at least £100 million
- We aim to increase earnings per share by at least 10% every year for the foreseeable future

Question No: 23(Marks: 1) - Please choose one

The manager of MZ firm has defined the goal that "the firm wants to increase its production by at least 200 units in size." Thus, which part of the SMART criteria has been focused by the firm through this goal statement?

► **Specific**

► Measurable

► Achievable

► Relevant

Ref: Be specific! “I want to read 3 chapter books of 100 pages on my own before my birthday” shows the specific target to be measure.

<http://www.goal-setting-guide.com/goal-setting-tutorials/smart-goal-setting>

Question No: 24(Marks: 1) - Please choose one

Mr. Ali, the operations manager of ABC Company did not agree with the proposal of marketing manager - Mr. Zeeshan at the meeting regarding launch of a new product. There was an exchange of hot word among them. The matter was referred to CEO, so that the conflict could be resolved, but the CEO did not take any action in the hope that the conflict will resolve itself. The statement describes which of the conflict resolution mood?

► **Avoidance**

► Compliance

► Diffusion

► Confrontation

Withdraw/Avoidance: Doing nothing – not using/following systems and procedures Effectively

<http://kutenk2000.blogspot.com/2008/12/conflict-management-and-resolution.html>

Question No: 25(Marks: 1) - Please choose one

Ahmad fisheries is going to arrange a meeting with AH& T distributors so that the matters regarding wrong delivery by AH & T and conflict arising from it can be settled. Which of the following conflict resolving approach is followed in the situation?

► Avoidance

► **Confrontation**

► Resistance

► Diffusion

<http://kutenk2000.blogspot.com/2008/12/conflict-management-and-resolution.html>

Question No: 26(Marks: 1) - Please choose one

Why do changes in company strategy often require changes in the way an organization is structured?

► **Because structure depicts how goals will be established**

► Because structure dictates how authorities will be delegated

► Because structure dictates how resources will be obtained

► Because structure dictates how financial resources are spent

(page 56) Changes in strategy often require changes in structure because new positions may be created, deleted, or merged. Organizational structure dictates how resources are allocated and how objectives are established in a firm.

Question No: 27(Marks: 1) - Please choose one

Which one of the following is the organizational structure that most of the medium-size organizations follow?

► **Divisional structure**

► Strategic business unit

► Functional structure

► Matrix structure

Medium-size firms tend to be divisionally structured (decentralized).Page#117

Question No: 28(Marks: 1) - Please choose one

Of the following, which one is least likely to be considered an advantage presented by matrix organizational structure?

► It facilitates the use of highly specialized staff and equipment

► It minimizes the project cost because the key people can be shared

► It can raise dual reporting and communication problems

► It provides excellent training ground for strategic managers

Question No: 29(Marks: 1) - Please choose one

Zairian Corporation has streamlined its operations by cutting costs, such as decrease in payroll or reduction in its size through the sale of assets. In which of the following activity Zaria Corporation is involved?

► E-Engineering

► Re-engineering

► **Restructuring**

► Benchmarking

Page#121

The primary benefit sought from restructuring is cost reduction.

Characteristics:

Staff reductions are often accomplished partly through the selling or closing of unprofitable portions of the company and partly by consolidating or outsourcing parts of the company that perform redundant functions (such as payroll, human resources, and training) left over from old acquisitions that were never fully integrated into the parent organization.

Question No: 30(Marks: 1) - Please choose one

Which of these is not one of the tests used to determine whether a performance-pay plan will benefit an organization?

- ▶ Do employees understand the plan?
- ▶ Is the plan improving communications?
- ▶ Does the plan pay out when it should?

▶ **Does the plan reduce management layers?**

Five tests are often used to determine whether a performance-pay plan will benefit an organization:

- Does the plan capture attention?
- Do employees understand the plan?
- Is the plan improving communication?
- Does the plan pay out when it should?
- Is the company or unit performing better?

<http://www.scribd.com/doc/52820548/7/CHAPTER-7>

Question No: 31(Marks: 1) - Please choose one

All of the following are the managerial issues for managing natural environment EXCEPT:

- ▶ Global warming- depletion of rain forests
- ▶ **Employee understanding about environment**
- ▶ Developing biodegradable products and packages
- ▶ Waste management to clean air and water

Special natural environmental issues include ozone depletion, global warming, depletion of rain forests, destruction of animal habitats, protecting endangered species, developing biodegradable products and packages, waste management, clean air, clean water, erosion, destruction of natural resources, and pollution control. Page#124

Question No: 32(Marks: 1) - Please choose one

Production processes typically constitute of what percentage of firm's total assets?

- ▶ **More than 70 %**
- ▶ More than 65 %
- ▶ More than 60 %
- ▶ More than 55 %

Production processes typically constitute more than 70 percent of a firm's total assets. Page#126

Question No: 33(Marks: 1) - Please choose one

Which one of the following is TRUE about two different market segments?

- ▶ They can be served with the same marketing strategy
- ▶ **They usually require different marketing strategies**
- ▶ They are always in different geographic locations
- ▶ There is heterogeneity within the segment in its needs

<http://question.bz/2010/04/two-different-market-segments-2/comment-page-1/>

Question No: 34(Marks: 1) - Please choose one

XYZ Company has segmented its market by keeping in view occupation and education level of customers. Which of the following bases of segmentation the company has used?

▶ **Demographic**

- ▶ Psychographic
- ▶ Behavioral
- ▶ Geographic

Page#130 Demographic Segmentation

Some demographic segmentation variables include:

- Age
- Gender
- Family size
- Family lifecycle
- Generation: baby-boomers, Generation X, etc.
- Income
- Occupation
- Education
- Ethnicity
- Nationality
- Religion
- Social class

Question No: 35(Marks: 1) - Please choose one

Which variable would be considered as a part of pricing decisions?

- ▶ Warranty
- ▶ **Bundling**
- ▶ Safety
- ▶ Functionality

Page#133 Price Decisions

Some examples of pricing decisions to be made include:

- Pricing strategy (skim, penetration, etc.)
- Suggested retail price
- Volume discounts and wholesale pricing
- Cash and early payment discounts
- Seasonal pricing
- Bundling
- Price flexibility
- Price discrimination

Question No: 36(Marks: 1) - Please choose one

Which of the following statement is TRUE about 'firm infrastructure' as a support activity of Michael Porter's value chain model?

- ▶ It includes procurement of raw materials, servicing, spare parts, buildings, machines
- ▶ It Includes technology development to support the value chain activities like Process automation
- ▶ It includes the activities associated with recruiting and development of employees and managers

▶ **It includes general management, planning management, legal, finance, accounting, public affairs**

Page#147 Firm Infrastructure: Includes general management, planning management, legal, finance, accounting, public affairs, quality management, etc.

Question No: 37(Marks: 1) - Please choose one

Which of the following statement is correct about human resource management?

- ▶ It includes procurement of raw materials, servicing, spare parts, buildings,

machines

► It Includes technology development to support the value chain activities like Process automation

► **It includes the activities associated with recruiting and development of employees and managers**

► It includes general management, planning management, legal, finance, accounting, public affairs

Page#147 Human Resource Management: The activities associated with recruiting, development (education), retention and compensation of employees and managers.

Question No: 38(Marks: 1) - Please choose one

All of the following are the cost drivers of Porter's supply chain activities EXCEPT:

► Capacity utilization

► Timing of market entry

► Economies of scale

► **Firm's infrastructure**

Page#147 Porter identified 10 cost drivers related to value chain activities:

1. **Economies of scale.**

2. Learning.

3. **Capacity utilization.**

4. Linkages among activities.

5. Interrelationships among business units.

6. Degree of vertical integration.

7. **Timing of market entry.**

8. Firm's policy of cost or differentiation.

9. Geographic location.

10. Institutional factors

Question No: 39(Marks: 1) - Please choose one

Which one of the following is NOT considered as a difficulty in evaluation of strategies?

► Increase in environment's complexity

► Difficulty predicting future with accuracy

► **Decreasing number of variables**

► Rate of obsolescence of plans

Page#149 Difficulty in strategy evaluation –

1. Increase in environment's complexity

2. Difficulty predicting future with accuracy

3. Increasing number of variables

4. Rate of obsolescence of plans

5. Domestic and global events

6. Decreasing time span for planning certainty

Question No: 40(Marks: 1) - Please choose one

Which of the following statement is TRUE about 'Controls' which are used in strategy evaluation stage?

► They are strategy-oriented

► **They are action-oriented**

► They are control-oriented

- ▶ They are information-oriented

Controls need to be action-oriented rather than information-oriented. Page#154

Question No: 41(Marks: 1) - Please choose one

A good evaluation system must possess various qualities. Which of the following is not a characteristic of a good strategy evaluation system?

- ▶ Strategy-evaluation activities must be economical
- ▶ Strategy-evaluation activities should be meaningful
- ▶ **Strategy-evaluation activities should dominate the decisions**
- ▶ Strategy-evaluation activities should provide timely information

Page#154 • First, strategy-evaluation activities must be economical; too much information can be just as bad as too little information; and too many controls can do more harm than good.

- Strategy-evaluation activities also should be meaningful; they should specifically relate to a firm's objectives.
- Strategy-evaluation activities should provide timely information; on occasion and in some areas, managers may need information daily.

Question No: 42(Marks: 1) - Please choose one

The people who perform audit can be categorized as all of the following EXCEPT:

- ▶ Independent auditors
- ▶ **Financial auditors**
- ▶ Government auditors
- ▶ Internal auditors

Page#155 People who perform audits can be divided into three groups: independent auditors, government auditors, and internal auditors.

Paper 9

FINAL TERM EXAMINATION

FALL 2007

MGT603 - STRATEGIC MANAGEMENT (Session - 6)

Question No: 1 (Marks: 1) - Please choose one

Stakeholders of an organization include:

- ▶ Stockholders
- ▶ Stockholders and customers
- ▶ Stockholders, customers and creditors
- ▶ **Stockholders, customers, creditors and competitors**

Page#23 Stakeholders include employees; managers; stockholders; boards of directors; customers; suppliers; distributors; creditors; governments (local, state, federal, and foreign); unions; competitors; environmental groups; and the general public.

Question No: 2 (Marks: 1) - Please choose one

_____ can be the most important force impacting competitive advantage.

- ▶ The bargaining power of suppliers
- ▶ The bargaining power of distributors
- ▶ The bargaining power of consumers
- ▶ **All of the mentioned options**

Question No: 3 (Marks: 1) - Please choose one

To perform an external audit, a company first must:

► Get an approval from the Securities and Exchange Commission

► **Perform an internal audit**

► Gather competitive intelligence and information about external trends

► Hire a consultant to develop a comprehensive strategic plan.

To perform an external audit, a company first must gather competitive intelligence and information about social, cultural, demographic, environmental, economic, political, legal, governmental, and technological trends. Page#29

Question No: 4 (Marks: 1) - Please choose one

Whenever new firms can easily enter a particular industry, the intensity of competitiveness among firms _____?

► Stays the same

► **Increases**

► Decreases

► Neutralize

REF:

Whenever new firms can easily enter a particular industry, the intensity of competitiveness among firms

a. stays the same.

b. increases.

c. decreases.

d. neutralizes.

Ans: b Page: 100

Question No: 5 (Marks: 1) - Please choose one

A standardized, detailed set of techniques and behaviors that manage anxieties, but seldom produce intended, technical consequences of practical results are called _____.

► Folktales

► Rite

► Metaphor

► **Rituals**

Page#51

Ritual

A standardized, detailed set of techniques and behaviors that manage anxieties, but seldom produce intended, technical consequences of practical importance

Question No: 6 (Marks: 1) - Please choose one

Which of the following stages in the strategy-formulation framework focuses on generating feasible alternative strategies?

► Input

► Output

► Decision

► **Matching**

Page#97

Which stage in the strategy-formulation framework focuses on generating feasible alternative strategies?

a. Input

- b. Output
- c. Decision
- d. Stage 3
- e. Matching

Ans: e Page: 198

<http://www.google.com/search?hl=en&client=gmail&rls=gm&noj=1&q=%22framework+focuses+on+generating+feasible+alternative+strategies%22&aq=f&aql=&oq=>

Question No: 7 (Marks: 1) - Please choose one

Which strategies use a firm's strengths to avoid or reduce the impact of external threats?

- ▶ SW
- ▶ WO
- ▶ SW
- ▶ **ST**

REF:

Which strategies use a firm's strengths to avoid or reduce the impact of external threats?

- a. SW
- b. WO
- c. SW
- d. ST
- e. WT

Ans: d Page: 201

Question No: 8 (Marks: 1) - Please choose one

Which of the following is not a SPACE Matrix quadrant?

- ▶ Aggressive
- ▶ Defensive
- ▶ Competitive
- ▶ **Offensive**

REF:

Which of these is not a SPACE Matrix quadrant?

- a. Aggressive
- b. Defensive
- c. Competitive
- d. Offensive
- e. Conservative

Ans: d Page: 204

Question No: 9 (Marks: 1) - Please choose one

Which of the following is an attractive strategy for a cash cow division?

- ▶ **Concentric diversification**
- ▶ Horizontal integration
- ▶ Conglomerate diversification
- ▶ Backward integration

REF:

Which of these is an attractive strategy for a cash cow division?

- a. Concentric diversification
- b. Horizontal integration
- c. Conglomerate diversification
- d. Backward integration
- e. Forward integration

Ans: a Page: 210

Question No: 10 (Marks: 1) - Please choose one
Strategy formulation:

- Is managing forces during the action
- **Focuses on effectiveness**
- Is primarily an operational process
- Requires coordination among many people

Page#112 Strategy formulation focuses on effectiveness.

Question No: 11 (Marks: 1) - Please choose one
Conflict in an organization is _____

- Always bad
- Always good
- **Sometimes good and sometimes bad**
- A sign of bankruptcy

Conflict can actually be either positive or negative, depending on the work situation.

Read more: http://www.ehow.com/facts_7591596_information-organizational-conflict.html#ixzz19OAg4xDV

158. Conflict in an organization is

- a. always bad.
- b. always good.
- c. sometimes good and sometimes bad.
- d. a sign of bankruptcy.
- e. avoidable.

Ans: c

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Question No: 12 (Marks: 1) - Please choose one

Which term is most often concerned primarily with shareholder well-being rather than employee well-being?

- Benchmarking
- Reengineering
- Product redesign

► **Restructuring**

Page#120 Restructuring is concerned primarily with shareholder well-being rather than employee well-being.

Question No: 13 (Marks: 1) - Please choose one

A change strategy that attempts to convince people that the change is in their personal advantage is:

- Diffusion
- Force
- Educative

► **Rational**

Page#124

A rational or self-interest change strategy is one that attempts to convince individuals that the change is to their personal advantage.

Question No: 14 (Marks: 1) - Please choose one

Which of the following variables would not be considered part of the place element of the marketing mix?

► Availability of the product

► **Labeling**

► Distribution channel

► Sales territory

(Handout page 133)

Question No: 15 (Marks: 1) - Please choose one

R&D employees and managers perform all of the following tasks except:

► Transferring complex technology

► Alternating products to particular tastes and specifications

► **Researching resource availability**

► Adapting processes to local markets

PG#140

R&D employees and managers perform tasks that include

1. Transferring complex technology,
2. Adjusting processes to local raw materials,
3. Adapting processes to local markets,
4. Altering products to particular tastes and specifications.

Question No: 16 (Marks: 1) - Please choose one

Planning includes breaking tasks into jobs, combining jobs to form departments and delegating authority.

► True

► **False**

Page#56 The organizing function of management can be viewed as consisting of three sequential activities: breaking tasks down into jobs (work specialization), combining jobs to form departments (departmentalization), and delegating authority.

Question No: 17 (Marks: 1) - Please choose one

Most of the small organizations have divisional structure.

► True

► **False**

http://books.google.com.pk/books?id=Fx4i8dTQmcC&pg=PA431&dq=Most+of+the+large+organizations+have+divisional+structure.&hl=en&ei=KyXuTbCsIJCm-wbH1pCmCA&sa=X&oi=book_result&ct=result&resnum=10&ved=0CFkQ6AEwCQ#v=onepage&q=The%20divisional%20structure%20is%20used%20primarily%20by%20large%20corporations%20operating%20in%20fast-&f=false

(2nd link)http://books.google.com.pk/books?id=JqvEVTRsbtQC&pg=SA3-PA25&dq=Most+of+the+large+organizations+have+divisional+structure&hl=en&ei=8yXuTcnGCcyG-wbZvsiPCA&sa=X&oi=book_result&ct=result&resnum=5&ved=0CEQQ6AEwBA#v=onepage&q=In%20large%20organizations%20the%20team%20structure%20comple

[ments%20what%20is%20typically%20a%20functional%20or%20divisional%20structure&f=false](#)

Question No: 18 (Marks: 1) - Please choose one

Customer profiling can reveal the demographic characteristics of an organization's customers.

► True

► False

Customer profiles can reveal the demographic characteristics of an organization's customers. page 61

Question No: 19 (Marks: 1) - Please choose one

Strategic decision is the allocation and reallocation of capital and resources to projects, products, assets and divisions of an organization.

► True

► False

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The investment decision, also called capital budgeting, is the allocation and reallocation of capital and resources to projects, products, assets, and divisions of an organization

Question No: 20 (Marks: 1) - Please choose one

Liquidity ratios measures a firm's ability to meet maturing short-term obligations

► True

► False

Liquidity ratios measure a firm's ability to meet maturing short-term obligations.

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Question No: 21 (Marks: 1) - Please choose one

A SWOT Matrix is composed of four cells for the four types of strategies it creates.

► True

► False

11) A SWOT Matrix is composed of four cells for the four types of strategies it creates.

Answer: FALSE

Diff: 1 Page Ref: 179

Topic: The Matching Stage

<http://www.google.com/search?client=gmail&rls=gm&q=%22A%20SWOT%20Matrix%20is%20composed%20of%20four%20cells%20for%20the%20four%20types%20%22>

Question No: 22 (Marks: 1) - Please choose one

Not allocating resources according to the priorities indicated by approved objectives is detrimental to the strategic-management process.

► True

► False

32. Not allocating resources according to the priorities indicated by approved objectives is detrimental to the strategic-management process.

Ans: T Page: 241-242

http://www.vuzs.net/index.php?option=com_content&view=article&id=4241:mgt603-solved-mcqs-from-book-by-david-chap-7a&catid=276&Itemid=55

Question No: 23 (Marks: 1) - Please choose one

Resistance to change can be considered the single greatest threat to successful strategy implementation.

► True

► False

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Resistance to change can be considered the single greatest threat to successful strategy implementation

Question No: 24 (Marks: 1) - Please choose one

R&D policies can enhance strategy implementation efforts to emphasize product or process improvements.

► True

► False

Page#140 R&D policies can enhance strategy-implementation efforts to:

1. Develop robotics or manual-type processes.
2. Spend a high, average, or low amount of money on R&D.
3. Perform R&D within the firm or to contract R&D to outside firms.
4. Use university researchers or private sector researchers.
5. Emphasize product or process improvements.
6. Stress basic or applied research.
7. Be leaders or followers in R&D.

Question No: 25 (Marks: 1) - Please choose one

Too much emphasis on evaluating strategies may be expensive and counterproductive.

► True

► False

Page#157 Too much emphasis on evaluating strategies may be expensive and counterproductive.