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FINALTERM EXAMINATION

Fall 2008

MGT603- Strategic Management (Session - 1)

Marks: 81

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

Ref:

The study of strategic management integrates different topics. Different courses are integrated due to the study of this course so that businesses become successful in every sector. It integrates the following:

$\frac{3}{4}$ Marketing

$\frac{3}{4}$ Management

$\frac{3}{4}$ Finance

$\frac{3}{4}$ 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

Ref:

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: 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



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Strategy

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

Ref:

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

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

Ref:

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. Once strategies are formulated, capital budgeting decisions are required to implement strategies successfully. The financing decision concerns determining the best capital structure for the firm and includes examining various methods by which the firm can raise capital (for example, by issuing stock, increasing debt, selling assets, or using a combination of these approaches). The financing decision must consider both short-term and long-term needs for working capital. Two key financial ratios that indicate whether a firm's financing decisions have been effective are the debt-to-equity ratio and the debt-to-total-assets ratio.

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

Ref:

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



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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

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

Ref:

Data becomes information only when it is evaluated, filtered, condensed, analyzed, and organized for a specific purpose, problem, individual, or time.

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

Ref:

Product Development

Product development is a strategy that seeks increased sales by improving or modifying present products or services. Product development usually entails large research and development expenditures. The U.S. Postal Service now offers stamps and postage via the Internet, which represents a product development strategy. Called PC Postage, stamps can now be obtained online from various Web sites such as stamps.com and then printed on an ordinary laser or inkjet printer. E-Stamp Corporation, Neopost, and Pitney Bowes, too, are actively pursuing product development by creating their own versions of digital stamps.

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

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

Ref:



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Concentric Diversification

Adding new, but related, products or services

Adding new, but related, products or services is widely called concentric diversification.

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

Ref:

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.

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

Ref:

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

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

Ref:

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: 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

SW

ST



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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

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 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 divide by the number of variables

Ref:

Steps for the preparation of SPACE Matrix

The steps required to develop a SPACE Matrix are as follows:

1. Select a set of variables 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 divide by the number of variables
4. Plot the average scores in the SPACE Matrix.
5. Add the two scores on the x-axis and plot the resultant point on X. Add the two scores on the y-axis and plot the resultant point on Y. Plot the intersection of the new xy point.
6. Draw a directional vector from the origin of the SPACE Matrix through the new intersection point. This vector reveals the type of strategies recommended for the organization: aggressive, competitive, defensive, or conservative.

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 to 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

Ref:

Quadrant-4 contains that company's strong competitive situation and slow market growth. 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 needs and often can pursue concentric, horizontal, or conglomerate diversification successfully. Quadrant IV firms also may pursue joint ventures

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

What is the product of weights and attractiveness scores for each strategy in



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QSPM?

Sum total attractiveness scores

Total attractiveness scores

Weighted scores

Total weighted scores

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

Ref:

(2) 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

Both corporate and functional objectives need to conform to the commonly used SMART criteria.

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

Ref:

(1) Corporate level

These are objectives that concern the business or organization as a whole

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:

Specific - the objective should state exactly what is to be achieved.

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.



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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

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

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

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

Ref:

Medium-size firms tend to be divisionally structured (decentralized).

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

Of the following, which one is least likely to be considered an advantage presented by a 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

Ref:

Some advantages of a matrix structure are that project objectives are clear, there are many channels of communication, workers can see visible results of their work, and shutting down a project can be accomplished relatively easily.

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



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Benchmarking

Ref:

Benchmarking simply involves comparing a firm against the best firms in the industry on a wide variety of performance-related criteria. Some benchmarking ratios commonly used in rationalizing the need for restructuring are headcount-to-sales-volume, or corporate-staff-to-operating-employees, or span-of-control figures. The primary benefit sought from restructuring is cost reduction.

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?

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

Ref:

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.

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 %

Ref:

Production processes typically constitute more than 70 percent of a firm's total assets

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

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



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Behavioral
Geographic

Ref:

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

Ref:

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

Ref:

• **Support activities (Staff functions, overhead)**

o **Procurement.** Procurement of raw materials, servicing, spare parts, buildings, machines, etc.

o **Technology Development.** Includes technology development to support the value chain



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activities. Such as: Research and Development, Process automation, design, redesign.

o **Human Resource Management.** The activities associated with recruiting, development (education), retention and compensation of employees and managers.

- **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

Ref:

- **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

Ref:

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 (regulation, union activity, taxes, etc.).

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

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

Ref:



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Controls need to be action-oriented rather than information-oriented.

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

Ref:

. 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**; 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

Ref: People who perform audits can be divided into three groups: independent auditors, government auditors, and internal auditors.

Question No: 43 (Marks: 3)

If you construct a SPACE Matrix and the directional vector points to the lower left quadrant, what type of strategies would you recommend?

Question No: 44 (Marks: 3)

Define Functional level objectives. Provide at least two statements exemplifying such objectives.

Question No: 45 (Marks: 3)

Auditors who perform audit can be divided into three groups? Identify and define each of them.

Question No: 46 (Marks: 5)

Identify the five steps that must be followed while developing an IE Matrix.

Question No: 47 (Marks: 5)

Positioning is actually the way that a product is introduced to its market audience.

What are the five steps required for effective product positioning?

Question No: 48 (Marks: 10)

You are the business executive of Omar textiles Mills. You are asked to evaluate the strengths, weaknesses, opportunities and threats of the firm and develop altogether different strategies by using different combinations of any two of these.

Question No: 49 (Marks: 10)

Quantitative Strategic Planning Matrix (QSPM) is a high-level strategic management approach for evaluating possible strategies. You are required to prepare a (QSPM) of XYZ Manufacturing Company for evaluating any two strategies?



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Marks: 81

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

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

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

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

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

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

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

Assigning 1 rating to a key external factor indicates that:



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Response is average

Response is poor

Response is superior

Response is above average

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

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 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

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

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

Explanation: Retrenchment can entail selling off land and buildings to raise needed cash, pruning product lines, closing marginal businesses, closing obsolete factories, automating processes, reducing the number of employees, and instituting expense control systems.

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

Which strategy should be implemented when a division is responsible for an Organization's overall poor performance?

Divestiture

Forward integration

Cost leadership

Related diversification



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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

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

Explanation: QSPM stands for **Quantitative Strategic Planning Matrix**. A quantitative method used to collect data and prepare a matrix for strategic planning. It is based on identified internal and external crucial success factors.

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

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

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



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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

Explanation: 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

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

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

Explanation: In strategic planning, a resource-allocation decision is a plan for using available resources, especially human resources especially in the near term, to achieve goals for the future. It is the process of allocating resources among the various projects or business units. The plan has two parts: Firstly, there is the basic allocation decision and secondly there are contingency mechanisms.

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

Which one of the following is not an approach to resolve conflicts?

Avoidance

Defusion

Confrontation

Ignorance

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

Defusion

Confrontation

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



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Joint venture

None of the given options

Rationale: Medium-size firms tend to be divisionally structured (decentralized). Whereas above mentioned 3 form of organizations fall under the category of large size organizations which adopt SBU.

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

Rationale: A matrix structure can result in higher overhead because it creates more management positions.

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

Explanation: First off inventory is seen as incurring costs instead of adding value, contrary to traditional thinking. Therefore, under the philosophy businesses are encouraged to eliminate inventory that doesn't add value to the product.

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

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

Reference: Market segmentation is widely used in implementing strategies, especially for small and specialized firms. Market segmentation can be defined as the subdividing of a market into distinct subsets of customers according to needs and buying habits.

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

Rationale: Homogeneity **within** the segment

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?



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Positioning

Segmentation

Marketing

Targeting

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

Rationale: The drawback of mass marketing is that customer needs and preferences differ and the same offering is unlikely to be viewed as optimal by all customers.

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

Which of these is the most common type of budgeting time frame?

Daily

Monthly

Quarterly

Annually

Explanation: Annual budgets are most common, although the period of time for a budget can range from one day to more than ten years.

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

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

Rationale: It is threat of substitute product.

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

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

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



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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: 40 (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

Reference: most quantitative criteria are geared to annual objectives rather than long-term objectives.

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

Explanation: Quantitative criteria commonly used to evaluate strategies are financial ratios, which strategists use to make three critical comparisons:

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

Question No: 43 (Marks: 3)

Formulation framework is considered to be the input stage of a Comprehensive Strategy-Formulation Framework.

You are required to identify the strategy formulation tools included in this stage.

Question No: 44 (Marks: 3)

One of the approaches to implement change says: People are basically compliant and will generally do what they are told or can be made to do and change is based on the exercise of authority and the imposition of sanctions.

Identify that approach and explain.

Question No: 45 (Marks: 3)

Net worth can be used to determine credit worthiness because it gives a snapshot of the company's investment history. Identify three approaches for determining the worth of a business.

Question No: 46 (Marks: 5)

Explain the benefits and limitations of developing a Boston Consulting Group Matrix.

Question No: 47 (Marks: 5)

Describe the kind of strategy-evaluation system, a large and a small organization require?

Question No: 48 (Marks: 10)

Suppose you are a strategist in a company and you want to evaluate the effectiveness of your contingency planning? How will you do it?

Question No: 49 (Marks: 10)



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The Management of Voyager Pvt.Ltd. has been facing a decline in sales and profits since 9 months due to strong competitors. Now the management has decided to restructure the company. You being a management consultant are required to guide them in the following areas:

The process of restructuring. (2)

In which cases they should use this option? (2)

What would be the benefits of restructuring to the organization? (3)

What possible actions the management should take while restructuring the company? (3)



FINALTERM 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 s
- ▶ All of the given options

Ref: 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

. Ref: Objectives should be quantitative, measurable, realistic, understandable, challenging, hierarchical, obtainable, and congruent among organizational units.

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

Ref: anti trust legislation where there is an effort to ban the monopolies. Some organizations think that monopolies should be banned.

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

Ref: Financial ratio analysis exemplifies the complexity of relationships among the functional areas of business. A declining return on investment or profit margin ratio could be the result of ineffective marketing, poor management policies,

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



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Ref: 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, unity of command, coordination, job design, and job analysis.

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

Distribution includes which of the following?

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

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

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

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

Ref: Forward integration strategy refers to the transactions between the customers and firm forward integration strategy primarily to gain better control over prices charged to consumers.

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

Ref: Horizontal integration refers to a strategy of seeking ownership of 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

Ref: Horizontal Diversification: Adding new, unrelated products or services for present customers.

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

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

- ▶ Aggressive
- ▶ Defensive



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► Competitive

► **Offensive**

Ref: contains 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

Ref: 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: 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

Ref: 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: 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**

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

Ref: To use the chart, corporate analysts would plot a scatter graph of their business units, ranking their relative market shares and the growth rates of their respective industries

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**

► Production efficiency

► Distribution efficiency

► Product innovation

Ref: They depress a profitable company's return on assets ratio, used by many investors to judge how well a company is being managed. Dogs, it is thought, should be sold off.

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



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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

Ref: Stars Units with a high market share in a fast-growing industry. The hope is that stars become the next cash cows.

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

Ref: Select a set of variables to relating to financial strength, competitive advantage, environmental stability, and industry strength. 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: 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**

Ref: Besides being simple and inexpensive, a functional structure also promotes specialization of labor, encourages efficiency, minimizes the need for an elaborate control system, and allows rapid decision making. 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. (Farzana)

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

Ref: 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

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

Ref: This type of structure can be most appropriate for organizations that have similar branch facilities located in widely dispersed areas

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



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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**

[Reference](#) (vuzs, us)

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

After completing an EPS/EBIT analysis, what conclusions would you make?

- ▶ **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: 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

REF: 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: 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

Ref: Formula of Retained Earning= Net Income - Dividends

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

Ref: The threat of new entrants

o the existence of barriers to entry

o economies of product differences



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- o brand equity
- o switching costs
- o capital requirements
- o access to distribution
- o absolute cost advantages
- o learning curve advantages
- o expected retaliation
- o government policies

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

Ref: Notice that corrective actions are almost always needed except when External and internal factors have not significantly changed and the firm is progressing satisfactorily toward achieving stated objectives. Comparing expected results with actual results.(Page no.146) (vuzs, us)

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

Ref: Outbound Logistics. The activities required to get the finished product at the customers:

Warehousing, order fulfillment, transportation, distribution management.

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

Ref: Operations. Include 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 primary activity**
- ▶ Technology Development
- ▶ Procurement

Ref: 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



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► **Environmental consideration**

- Customer consideration

Ref: Product 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**

Ref: change. 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 no.06) (vuzs.us)

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

Ref: Many organizations today develop a "vision statement" which answers the question, what do we want to become?

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**

Rationale : wages are short term plans or objectives where as mission statement addresses long term goals and plans.

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.

Ref: Mission describes the overall purpose and vision describes the picture of preferred future.

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.



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Ref: If the rate of technical progress is slow, the rate of market growth is moderate, and there are A significant barrier to possible new entrants, then in-house R&D is the preferred solution.

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

Ref: SO Strategies: Every firm desires to obtain benefit from its resources such benefit can only be obtained if utilize its strength to take external opportunity

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

Ref: Organizational culture Defined in Table below cultural products include values, beliefs, rites, rituals, ceremonies, myths, stories, legends, sagas, language, metaphors, symbols, heroes, and heroines.

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

Ref: Organizational culture significantly affects business decisions and, thus, must be evaluated during an internal strategic-management audit. If strategies can capitalize on cultural strengths, such as a strong work ethic or highly ethical beliefs, then management often can implement changes swiftly and easily.

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**

Ref: 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: 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

REF: In short, the just-in-time inventory system is all about having "the right material, at the right time, at the right place, and in the exact amount."



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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**

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**

Ref: 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.

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**

REF: First, strategies such as market development, product development, market penetration, and diversification require increased sales through new markets and products.

market segmentation allows a firm to operate with limited resources because mass production, mass distribution, and mass advertising are not required.

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 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?

REF: Seymour Tilles 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



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- ▶ Scenario planning
- ▶ Forecasting
- ▶ **Contingency planning**

REF: Contingency plans can be defined as alternative plans that can be put into effect if certain key events do not occur as expected. Only high-priority areas require the insurance of contingency plans

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

Ref: Some key financial ratios: Return on investment, Return on equity, Profit margin, Market share, Debt to equity, Earnings per share, Sales growth, Asset growth.

Question No: 49 (Marks: 3)

Suggest that what can be the best way to overcome individuals' resistance to change while taking corrective actions.

Question No: 50 (Marks: 3)

What do you understand by the term Product and what can be the possible considerations that you will take into account while making decisions regarding a product or service?

Question No: 51 (Marks: 5)

Parties to conflict can conceptualize responses according to a two-dimensional scheme; what are the hypotheses of this scheme?

Question No: 52 (Marks: 5)

Product positioning allows the firms to fulfill the gaps between what customers and producers see as good service. What can be the potential benefits that product positioning can offer to a firm?

Question No: 53 (Marks: 5)

Seymour Tilles acknowledged six qualitative questions that are practical in evaluating strategies. You are required to identify any five of them.

FINAL TERM EXAMINATION
Spring 2010
MGT603- Strategic Management

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

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



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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**

Ref: 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

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



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- ▶ 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) vuzs - 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

Ref: 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, and it also provides a basis for identifying and evaluating relationships among those areas.

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

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



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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

Reference

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

Ref: When Few ways of achieving product differentiation.(Page no.86)

Question No: 11 (Marks: 1) vuzs - 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

Ref: Guidelines for Market Penetration

Four guidelines when market penetration may be an especially effective strategy are:

Current markets not saturated

Usage rate of present customers can be increased significantly



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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.

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

Ref: 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.

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



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► **Matching**

Ref: Stage 2, called the Matching Stage, focuses upon generating feasible alternative strategies by aligning key external and internal factors. Stage 2 techniques include the Threats-Opportunities Weaknesses-Strengths (TOWS) Matrix, the Strategic Position and Action Evaluation (SPACE) Matrix, the Boston Consulting Group (BCG) Matrix, the Internal-External (IE) Matrix, and the Grand Strategy Matrix

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

Question No: 16 (Marks: 1) vuzs - 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

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



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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

Ref: Dogs More charitably called pets, units with low market share in a mature, slow-growing industry.(see the table at page no.103)

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

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

Ref: Resource allocation is a major management activity that allows for strategy execution. In organizations that do not use a strategic-management approach to decision making, resource allocation is often based on political or personal factors.



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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

Ref: 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. Military conflict between states may constitute war.

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

Ref: 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.(Page no.56)

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**

Ref: Functional structure is sometimes characterized by low employee morale, line/staff conflicts, poor delegation of authority, and inadequate planning for products and markets.(Page no.118)



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Question No: 24 vuzs (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?

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

Ref: The natural environment comprises all living and non-living things that occur naturally on Earth. In its purest sense, it is thus an environment that is not the result of human activity or intervention. The natural environment may be contrasted to "the built environment."

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

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

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

- ▶ **Brand name**



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- ▶ Volume discounts
- ▶ Distribution channels
- ▶ Order processing

Ref: Product Decisions

The term "product" refers to tangible, physical products as well as services. Here are some examples of the product decisions to be made:

• Brand name

- Functionality
- Styling
- Quality
- Safety
- Packaging

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

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

- ▶ Warranty
- ▶ **Bundling**
- ▶ Safety
- ▶ Functionality

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



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- 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**

Distribution (Place) Decisions

Distribution is about getting the products to the customer. 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 vuZs (Marks: 1) - Please choose one

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



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

Ref: Marketing communication decisions include:

- 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**

Some examples of 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



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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

Ref: 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

Reference provided by Fawad Waseem.

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

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**



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- ▶ Activities that maintain and enhance the product's value
- ▶ Receiving, storing, inventory control & transportation planning

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

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

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

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

Question No: 37 (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

Ref: Controls need to be action-oriented rather than information-oriented.(Page no.154)



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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

Ref: Practical Use of the Boston Matrix

For each product or service the 'area' of the circle represents the value of its sales.vuzs (Page No.104)

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

Guidelines for Market Development

- 1-Six guidelines when market development may be an especially effective strategy are:
- 2-New channels of distribution that are reliable, inexpensive, and good quality
- 3-Firm is very successful at what it does
- 4-Untapped or unsaturated markets(vuzs)
- 5-Capital and human resources necessary to manage expanded operations
- 6-Excess production capacity
- 7-Basic industry rapidly becoming global

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



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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

Guidelines for Market Penetration

Four guidelines when market penetration may be an especially effective strategy are:

Current markets not saturated(vuzs)

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: 41 vuzs (Marks: 1) - Please choose one

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

- SO
- WO
- SW
- **WT**

Ref: WT Strategies

Every firm has a desire to overcome its weakness and reducing threats. This type of strategy helpful when weaknesses are removed to overcome 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



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- ▶ It focuses on effectiveness
- ▶ **It is primarily an operational process**
- ▶ It is primarily an intellectual process

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: 43 (Marks: 1) vuzs - 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

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



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- ▶ Strict control and attention to product lines are needed
- ▶ An organization has many skilled managers

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**

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

Consonance Need for strategies to examine sets of trends(vuZs)

Advantage Creation or maintenance of competitive advantage

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.



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

Ref: 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 No.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**

Question No: 49 (Marks: 3)

One of the approaches to implement change says: "People are basically compliant and will generally do what they are told or can be made to do and change is based on the exercise of authority and the imposition of sanctions." Identify that approach and explain.

Question No: 50 (Marks: 3)

Auditors who perform audit can be divided into three groups? Identify and define each of them.

Question No: 51 vuzs (Marks: 5)

An organization can be structured in many ways. What is the most complex form of organizational structure? Discuss its characteristics?

Question No: 52 (Marks: 5)

Positioning is actually the way that a product is introduced to its market audience. What are the five steps required for effective product positioning?



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Question No: 53 (Marks: 5)

The goal of value chain activities is to offer the customer a level of value that exceeds the cost of the activities which results in a profit margin. You are required to discuss some of the primary value chain activities.

FINAL TERM EXAMINATION
Spring 2010
MGT603- Strategic Management (Session - 3)

Time: 90 min
Marks: 69

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

Example: National Westminster Bank PLC in Britain buys the leading British insurance company, Legal & General Group PLC..(Page no.80)

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

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

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

Long-term objectives includes all of the following EXCEPT:

- ▶ Measurable
- ▶ Reasonable
- ▶ **Varying**
- ▶ Consistent

Ref: The Nature of Long-Term Objectives

Objectives should be quantitative, measurable, realistic, understandable, challenging, hierarchical, obtainable, and congruent among organizational units..(Page No.09)

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



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► **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

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

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

Ref: 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. (Page No.64)

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

Ref: The business decision-making support function goes one step further. It becomes an integral part -- even a vital part -- of decision -making. 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%?(Page No.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 subjectives**

Ref: 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).(Page no.79)

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



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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

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

Ref: Selling a division or part of an organization is called divestiture. Divestiture often is used to raise capital for further strategic acquisitions or investments. Divestiture can be part of an overall retrenchment strategy to rid an organization of businesses that are unprofitable, that require too much capital, or that do not fit well with the firm's other activities.

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

Ref: Stage 1 of the formulation framework consists of the EFE Matrix, the IFE Matrix, and the Competitive Profile Matrix. Called the Input Stage.(Page No.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

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

Ref: Quadrant 2 is known as conservative quadrant. In this quadrant, following strategies can be followed:

Quadrant II

Market development



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Market penetration
Product development
Horizontal integration
Divestiture

Liquidation (Page no.107)

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

Ref: Determining financial strengths and weaknesses key to strategy formulation

Investment decision (Capital budgeting)

Financing decision

Dividend decision

Market share cannot be determined by above 3 decisions.

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

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

Ref: 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

Ref: 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



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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

Ref: In quadrant III strategies should be followed in following sequence:

Quadrant III

Retrenchment

Concentric diversification

Horizontal diversification

Conglomerate diversification

Liquidation

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**

Ref: See table on page 107.

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

Ref: The weight assigned to a given factor indicates the relative importance of the factor to being successful in the firm's industry. (Page No.75)

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

Ref: (2) Functional level Objective

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

Both corporate and functional objectives need to conform to the commonly used SMART criteria. (Page no.113)

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

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

- ▶ Personal selling



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► **Volume discounts**

- Public relations
- Advertising

Marketing communication decisions include:

- Promotional strategy (push, pull, etc.)
- Advertising
- Personal selling & sales force
- Sales promotions
- Public relations & publicity
- Marketing communications budget (Page no.133)

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**

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

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

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

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

- Liquidating firms



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► **Acquiring firms**

- Venturing firms
- Small firms

Ref: Evaluating the worth of a business is central to strategy implementation because integrative, intensive, and diversification strategies are often implemented by acquiring other firms. Other strategies, such as retrenchment and divestiture, may result in the sale of a division of an organization or of the firm itself.(Page No.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

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

Ref: Consistency: Strategy should not present inconsistent goals and policies.

- Conflict and interdepartmental bickering symptomatic of managerial disorder and strategic inconsistency

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

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

Ref: 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

Rationale: Firm Infrastructure is included in support activities.(Page no.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



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- ▶ 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: 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.

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

Ref: The Environmental Audit

For an increasing number of firms, overseeing environmental affairs is no longer a technical function performed by specialists; it rather has become an important strategic-management concern. Product design, manufacturing, transportation, customer use, packaging, product disposal, and corporate rewards and sanctions should reflect environmental considerations.(Page no.156)

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**

Ref: 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. (Page no.110)

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**

Ref: Stage 1 of the formulation framework consists of the EFE Matrix, the IFE Matrix, and the Competitive Profile Matrix. Called the Input Stage.(Page No.97)



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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 SPACE matrix**

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

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

Rationale: Firms located in quadrant I enjoys rapid market growth and strong competitive position. See table on 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

Ref: This structure allows an organization to cater effectively to the requirements of clearly defined customer groups. For example, book publishing companies often organize their activities around customer groups such as colleges, secondary schools, and private commercial schools.(Page no.119)

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

Ref: 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 no.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

Ref: The following steps are required in product positioning:

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).



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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

Rationale: Ratios always use quantitative data for evaluation which is often not available.

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

Ref: 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..(Page no.151)