FINALTERM EXAMINATION
Spring 2010
MGT603- Strategic Management

Time: 120 min
Marks -
M - 69

MGT603- Strategic Management - Q.No. 1 (M - 1)
Which of the following is often considered the first step in strategic planning?

► Devising a mission statement
► Developing a vision statement
► Setting annual objectives
► Formulating set of strategies
Developing a vision statement is often considered the first step in strategic planning.

MGT603- Strategic Management - Q.No. 2 (M - 1)
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
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.

MGT603- Strategic Management - Q.No. 3 (M - 1)
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

MGT603- Strategic Management - Q.No. 4 (M - 1)
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

MGT603- Strategic Management - Q.No. 5 (M - 1)
Which of the following are signs of strength in a company's competitive position?
► A debt-to-asset ratio below 0.50 and a positive net cash flow
► A website with extensive information about the company and its product line
► R&D and advertising expenditures greater than $10 million annually
► A strongly differentiated product and a strong or rising market share
Sign of strength in a company's competitive position: A strongly differentiated product, a strong or rising market share and important resources or capabilities.

MGT603- Strategic Management - Q.No. 6 (M - 1)
Distribution includes which of the following?

► Customer analysis
► Warehousing
► Advertising
► Test marketing
MGT603- Strategic Management - Q.No. 7 (M - 1)
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
Internal Factor Evaluation (IFE) Matrix: This strategy-formulation tool summarizes and evaluates the major strengths and weaknesses in the functional areas of a business.

MGT603- Strategic Management - Q.No. 8 (M - 1)
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
Forward integration strategy refers to the transactions between the customers and firm.

MGT603- Strategic Management - Q.No. 9 (M - 1) .
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
Limitations of Horizontal Integration: Synergies may be more imaginary than real.

MGT603- Strategic Management - Q.No. 10 (M - 1)
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
Striving to be the low-cost producer in an industry can be especially effective when the market is composed of many price-sensitive buyers, when there are few ways to achieve product differentiation, when buyers do not care much about differences from brand to brand, or when there are a large number of buyers with significant bargaining power.

MGT603- Strategic Management - Q.No. 11 (M - 1)
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
Guidelines for Market Penetration: Market shares of competitors declining while total industry sales increasing.

MGT603- Strategic Management - Q.No. 12 (M - 1)
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
Product development is a strategy that seeks increased sales by improving or modifying present products or services.

MGT603- Strategic Management - Q.No. 13 (M - 1) .

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

► **Input stage**
► Output stage
► Matching stage
► Decision stage
Formulation framework consists of the EFE Matrix, the IFE Matrix, and the Competitive Profile Matrix called the Input Stage.

MGT603- Strategic Management - Q.No. 14 (M - 1)
Which of the following stages in “Strategy Formulation Framework” focuses on generating feasible alternative strategies?

► Input
► Output
► Decision
► **Matching**
Matching Stage focuses upon generating feasible alternative strategies by aligning key external and internal factors.
MGT603- Strategic Management - Q.No. 15 (M - 1)
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**
W-T strategies establish a defensive plan to prevent the firm’s weaknesses from making highly susceptible to external threats.

MGT603- Strategic Management - Q.No. 16 (M - 1)
Firm located in defensive quadrant of a SPACE matrix is recommended to follow all of the following strategies EXCEPT:

► Retrenchment
► **Forward integration**
► Divestiture
► Liquidation
Defensive quadrant: Quadrant III:
- Retrenchment
- Concentric diversification
- Horizontal diversification
- Conglomerate diversification
- Liquidation

MGT603- Strategic Management - Q.No. 17 (M - 1) .
What type of strategies would you recommend when a firm's SPACE Matrix directional vector has the coordinates (+2, +3)?

► **Aggressive**
► Conservative
► Competitive
► Defensive

MGT603- Strategic Management - Q.No. 18 (M - 1) .
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

Dogs More charitably called pets, units with low market share in a mature, slow-growing industry.

MGT603- Strategic Management - Q.No. 19 (M - 1)
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

Policy refers to specific guidelines, methods, procedures, rules, forms, and administrative practices established to support and encourage work toward stated goals.

MGT603- Strategic Management - Q.No. 20 (M - 1)
The organizations, where resource allocation is not based on strategic-management approach to decision making, which approach is used for resource allocation?

► Financial budget
► Relative importance of departments
► **On political or personal factors**
► Relative cost of each resources

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

MGT603- Strategic Management - Q.No. 21 (M - 1) .
A state of opposition between persons or ideas which are occasionally characterized by physical violence may be known as:

► **Conflict**
► Compromise
► Diffusion
► Avoidance
Conflict is a state of opposition, disagreement or incompatibility between two or more people or groups of people, which is sometimes characterized by physical violence.

MGT603- Strategic Management - Q.No. 22 (M - 1)
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
Organizational structure dictates how resources are allocated and how objectives are established in a firm.
MGT603- Strategic Management - Q.No. 23 (M - 1)
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**
Functional Structure: The organization is structured according to functional areas instead of product lines. Functional structure group's tasks and activities by business function such as production/operations, marketing, finance/accounting, research and development, and computer information systems.

MGT603- Strategic Management - Q.No. 24 (M - 1) .
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?**

Pay-for-performance ties an employee's pay to their performance on the job. Pay-for-performance attracts and retains better employees and offer incentives to motivate and reward improved performance. In Pay for Performance employees receive increased compensation for their work if their team, department or company reaches certain targets.

MGT603- Strategic Management - Q.No. 25 (M - 1)
All of the following are the managerial issues for managing natural environment EXCEPT:

► Global warming- depletion of rain forests
► **Employee understanding about environment**
► Developing biodegradable products and packages
► Waste management to clean air and water
Special natural environmental issues include ozone depletion, global warming, depletion of rain forests, destruction of animal habitats, protecting endangered species, developing biodegradable products and packages, waste management, clean air, clean water, erosion, destruction of natural resources, and pollution control.

MGT603- Strategic Management - Q.No. 26 (M - 1)
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
Commonly used methods that match managers with strategies to be implemented include transferring managers, developing leadership workshops, offering career development activities, promotions, job enlargement, and job enrichment.
MGT603- Strategic Management - Q.No. 27 (M - 1) .
Which one of the following is an example of product decisions?

► **Brand name**
► Volume discounts
► Distribution channels
► Order processing
Product Decisions:
Here are some examples of the product decisions to be made:
• Brand name
• Functionality
• Styling

MGT603- Strategic Management - Q.No. 28 (M - 1)

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

► Warranty
► Bundling
► Safety
► Functionality
Some examples of pricing decisions to be made include:
• Suggested retail price
• Volume discounts and wholesale pricing
• Cash and early payment discounts
• Seasonal pricing
• Bundling

MGT603- Strategic Management - Q.No. 29 (M - 1) .
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 channels
• Warehousing
• Distribution centers
• Order processing

MGT603- Strategic Management - Q.No. 30 (M - 1)
All of the following are the examples of promotion decision EXCEPT:

► Personal selling
► 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

MGT603- Strategic Management - Q.No. 31 (M - 1)
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
7. To determine an appropriate dividend payout ratio.
8. To use LIFO, FIFO

MGT603- Strategic Management - Q.No. 32 (M - 1) .
At least how many R & D approaches are used for the implementation of strategy?

► Two
► Three
► Four
► Five
Reference provided by Fawad Waseem.
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

MGT603- Strategic Management - Q.No. 33 (M - 1)
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

MGT603- Strategic Management - Q.No. 34 (M - 1)
Which one of the following statements best describes the activity ‘marketing and sales’ of Porter’s supply chain model?

► Machining, packaging, assembly, equipment maintenance & testing
► Activities linked with getting buyers to purchase the product
► Activities that maintain and enhance the product's value
► Receiving, storing, inventory control & transportation planning

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

MGT603- Strategic Management - Q.No. 35 (M - 1) .

Outbound logistics includes which one of the following?

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

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

MGT603- Strategic Management - Q.No. 36 (M - 1)

Which of the following is NOT a key financial ratio?

► Earnings per share
► Production growth
► Asset growth
► Profit margin

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

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

MGT603- Strategic Management - Q.No. 37 (M - 1)

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

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

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

MGT603- Strategic Management - Q.No. 38 (M - 1) .

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
Practical Use of the Boston Matrix: For each product or service the 'area' of the circle represents the value of its sales.

MGT603- Strategic Management - Q.No. 39 (M - 1)
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 when market development may be an especially effective strategy are:
1-New channels of distribution that are reliable, inexpensive, and good quality
2-Firm is very successful at what it does
3-Untapped or unsaturated markets ()
4-Capital and human resources necessary to manage expanded operations
5-Excess production capacity
6-Basic industry rapidly becoming global

MGT603- Strategic Management - Q.No. 40 (M - 1) .
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
Market development:
1-New channels of distribution that are reliable, inexpensive, and good quality
2-Untapped or unsaturated markets
MGT603- Strategic Management - Q.No. 41 (M - 1)
Which strategies are defensive tactics directed at reducing internal weaknesses and avoiding environmental threats?

► SO
► WO
► SW
► WT
WT strategies are defensive tactics directed at reducing internal weaknesses and avoiding external threats.

MGT603- Strategic Management - Q.No. 42 (M - 1)
Which of these is TRUE about strategy implementation?

► It refers to positioning forces before the action
► It focuses on effectiveness
► **It is primarily an operational process**
► It is primarily an intellectual process
Strategy implementation is primarily an operational process.

MGT603- Strategic Management - Q.No. 43 (M - 1)
Which of the following is TRUE about Strategy formulation?

► It manages forces during the action
► **It requires good intuitive and analytical skills**
► It is primarily an operational process
► It requires special motivation and leadership skills
Strategy formulation requires good intuitive and analytical skills.

MGT603- Strategic Management - Q.No. 44 (M - 1)
Identify a situation in which a divisional structure by geographic area is considered to be most appropriate.

► **Organizations have similar branch facilities located in widely dispersed areas**
► An organization offers only a limited number of products or services
► Strict control and attention to product lines are needed
► An organization has many skilled managers

MGT603- Strategic Management - Q.No. 45 (M - 1) .
All of the following are included in Rumelt's criteria for evaluating strategies EXCEPT:

► Consonance
► Advantage
► Consistency
► **Clarity**
Four Criteria (Richard Rummelt):
• Consistency
• Consonance
• Feasibility
• Advantage
MGT603- Strategic Management - Q.No. 46 (M - 1) .
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 and advantage are mostly based on a firm's external analysis, whereas consistency and feasibility are largely based on an internal analysis

MGT603- Strategic Management - Q.No. 47 (M - 1)
Identify a factor which determines the final design of a firm's strategy-evaluation and control system.

► Opportunities
► External characteristics
► **Organization's characteristics**
► Competition's characteristics
The unique characteristics of an organization, including its size, management style, purpose, problems, and strengths, can determine a strategy-evaluation and control system's final design.

MGT603- Strategic Management - Q.No. 48 (M - 1)
Which of the following is defined as having alternative plans that can be put into effect if certain key events do not occur as expected?

► Corporate agility
► Scenario planning
► Forecasting
► **Contingency planning**
Contingency plans can be defined as alternative plans that can be put into effect if certain key events do not occur as expected.
MGT603- Strategic Management - Q.No. 49 (M - 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.

Answer:

Change Management Strategies:

There are four Change Management Strategies, which are as follows:

I. 1.Empirical-Rational
II. 2.Normative-Re educative
III. 3.Power-Coercive
IV. 4.Environmental-Adaptive

Power-Coercive:

"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."

People are rational and will follow their self-interest, once it is revealed to them. Change is based on the communication of information and the proffering of incentives. People are social beings and will adhere to culture norms and values. Change is based on redefining and reinterpreting existing norms and values, and developing commitments to new ones.

MGT603- Strategic Management - Q.No. 50 (M - 3)

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

Answer:

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

Independent auditors: These are certified public accountants (CPAs) that provide their services to organizations for a fee; they examine the financial statements of an organization to determine whether they have been prepared according to generally accepted accounting principles (GAAP) and whether they fairly represent the activities of the firm. Independent auditors use a set of standards called generally accepted auditing standards (GAAS). Public accounting firms often have a consulting arm that provides strategy-evaluation services.

Government auditors: Two government agencies, the General Accounting Office (GAO) and the Internal Revenue Service (IRS), employ government auditors responsible for making sure that organizations comply with federal laws, statutes, and policies. GAO and IRS auditors can audit any public or private organization.

Internal auditors: These groups of auditors are employees within an organization who are responsible for safeguarding company assets, for assessing the efficiency of company operations, and for ensuring that generally accepted business procedures are practiced.

MGT603- Strategic Management - Q.No. 51 (M - 5)

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

Answer:

Matrix Structure

A matrix structure is the most complex of all designs because it depends upon both vertical and horizontal flows of authority and communication (hence, the term matrix).

Characteristics of Matrix Structure

This structure depends primarily on vertical flows of authority and communication. A matrix structure can result in higher overhead because it creates more management positions. Other characteristics of a matrix structure that contribute to overall complexity include dual lines of budget authority (a violation of the unity-of-command principle), dual sources of reward and punishment, shared authority, dual reporting channels, and a need for an extensive and effective communication system.

MGT603- Strategic Management - Q.No. 52 (M - 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?
Answer:

Effective product positioning:

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).
5. Develop a marketing plan to position the company's products or services appropriately.

MGT603- Strategic Management - Q.No. 53 (M - 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.

Answer:

The activities of the Value Chain
• Primary activities (line functions)

Inbound Logistics: Includes receiving, storing, inventory control, transportation planning.
Operations: Includes machining, packaging, assembly, equipment maintenance, testing and all other value-creating activities that transform the inputs into the final product.

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

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

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

• Support activities (Staff functions, overhead)

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

Technology Development: Includes technology development to support the value chain activities. Such as: Research and Development, Process automation, design, redesign.

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.