Quiz on “Strategic Planning: A Practical Guide for Competitive Success (2nd edition)"

Chapter 1

1. What does a business model describe?
   a. The way a firm hires employees for the long run
   b. The way a firm does what it does to deliver customer value
   c. A plan to generate money for the firm
   d. A company’s brand reputation
   e. None of the above

2. Which of the following is not a “persuasive definition of strategy?”
   a. The goal of strategy is to beat the competition…
   b. Strategy at its heart is about positioning for future competitive advantage
   c. Strategy is a handful of decisions that drive or shape most of a company’s subsequent actions, are not easily changed once made, and have the greatest impact on whether a company meets its strategic objectives
   d. Strategy is about delivering goods or services to a market to make a profit
   e. Strategy is all about change that makes a company more competitive

3. For the following, decide whether the management action reflects a strategic or operational decision:

<table>
<thead>
<tr>
<th>Action</th>
<th>Strategic</th>
<th>Tactical</th>
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<tbody>
<tr>
<td>Hewlett Packard announces it is acquiring Compaq Computer Corp.</td>
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<td>Procter &amp; Gamble adopts new enterprise software to consolidate its worldwide financial and tax reports.</td>
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<td>AT&amp;T Card Services decides to upgrade the caliber of its customer-service personnel through, among other things, raising their salaries by 10%.</td>
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<td>Wal-Mart decides to offer streaming of movies.</td>
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<td>BMW gets an exclusive license for Blaupunkt sound systems in its automobiles.</td>
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<td>Disneyland raises prices although doing so will reduce overall park attendance.</td>
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<td>Pep Boys finally decides to advertise on TV.</td>
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<td>At the last minute, Intel cancels release of its Pentium 2003 saying it is going back to the lab to develop a Super Pentium 2004.</td>
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<td>Amazon.com decides to go beyond selling just books to selling electronic products.</td>
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<tr>
<td>Seeking to increase its profitability, Amazon negotiates new contracts with UPS and FedEx that cut shipping costs.</td>
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4. How does one develop a strategy to achieve certain purposes?
   a. Have a strategic conversation
   b. Engage in strategic planning
   c. Undertake strategic management
   d. Make a strategic decision
   e. Do scenario planning
5. What is the definition of strategy used throughout the book?
   a. The art of deploying resources toward market opportunities in a way that distinguishes a business from its competitors
   b. To beat the competition
   c. Positioning for future competitive advantage
   d. How a company actually competes
   e. Defining a unique market position and occupying it

6. What is strategic planning?
   a. Any decision that affects the company’s ability to complete, its position in the industry, or its viability as a going concern
   b. One person’s or one group’s attempt at arriving at a strategy
   c. The process by which one develops a strategy to achieve certain purposes
   d. How a company actually competes
   e. The entire set of resulting experiences—at some price—that an organization causes its customers to have

7. Why is doing strategic planning so difficult?
   a. People seldom agree on where the company stands right now and how it is performing because they are biased, have a limited perspective, and often have personal or hidden agendas, that is, politics gets in the way of candor and truth
   b. Information the company and its people possess is incomplete, dated, often inaccurate, and sometimes not useful, while the information they most need is often unavailable
   c. The planning horizon is typically three to five years into the future, a future that is unknown, ambiguous, and changing before our very eyes
   d. It takes too much effort, time, and money, and besides, “the company is doing fine”
   e. All of the above

8. Which of the following is not a strategic decision?
   a. Deciding on a strategy
   b. Change an advertising campaign
   c. Whether to adopt a new technology
   d. How to develop a core competence
   e. Whether to sell the business

9. How is strategic planning different from a strategic analysis?
   a. Requires a lot of research about the external environment
   b. Requires buy-in and commitment from the participants
   c. Ends with short- and long-term recommendations
   d. Is designed to choose the best strategy for the company
   e. Entails making difficult choices

10. Which of the following cannot be regarded as strategic thinking?
    a. Finding ways to reduce costs and increase profits
    b. Scanning the environment to understand how it’s changing
    c. Searching for opportunities the firm could pursue
    d. Exploring other possible business models
    e. Finding new ways to outwit and outmaneuver competitors
11. What is strategic management?
   a. Both strategic planning and implementation
   b. What presidents and CEOs should be doing 100% of their time
   c. Managing a company for long-term success
   d. Managing to achieve the company’s vision and strategic objectives
   e. All the above

12. Which of the following best describes a business model?
   a. A revenue and expense model
   b. The strategy for how the company will grow
   c. How the company positions itself in the industry
   d. A rationale of how the company creates, delivers, and captures value
   e. Providing superior customer value

13. Which of the following statements is true?
   a. An inferior value proposition is offering greater benefits for the same price
   b. A superior value proposition is offering expected benefits for the same price
   c. An inferior value proposition is meeting all customer needs at a lower-than-expected price
   d. A superior value proposition is meeting all customer needs at a higher-than-expected price
   e. An inferior value proposition is offering less-than-expected benefits for the same price
Chapter 2

1. What is the essence of strategic thinking?
   a. Thinking about strategic planning
   b. Finding alternative ways of competing and providing customer value
   c. Seeing the big picture
   d. Playing devil’s advocate to what the company is currently doing
   e. All of the above

2. Is finding a “blue ocean” or “situational monopoly” a legitimate part of strategic thinking?
   a. True
   b. False

3. What exactly is differentiation?
   a. Playing a “different game”
   b. Preparing to compete in a future market and then dominating it
   c. Being tangibly different from competitors in the eyes of customers
   d. Creating and strengthening a distinctive brand
   e. All of the above

4. If you believe you are differentiated, then you are differentiated.
   a. True
   b. False

5. What is at the core of blue-ocean strategy?
   a. Satisfying customers
   b. Being differentiated
   c. Value innovation
   d. Industry repositioning
   e. None of the above

6. Which of the following is not part of the Four-Action Framework?
   a. Eliminate
   b. Raise
   c. Differentiate
   d. Create
   e. Reduce

7. A value curve that is higher than the industry’s or uses issues unfamiliar to the industry is a sign of a blue ocean.
   a. True
   b. False
8. Which is not a characteristic of an entrepreneurial mindset?
   a. Constantly looking for opportunities
   b. Seeing problems from the customer’s perspective
   c. Being willing to take risks
   d. Identifying a level of dissatisfaction with what exists
   e. The ability to see something that isn’t there

9. Talking to customers is one of the most overlooked ways of discovering new opportunities.
   a. True
   b. False

10. Which of the following is not a way of generating opportunities?
    a. Coming up with a “solution-after-next”
    b. Exploring a particular strategic frontier
    c. Instituting an opportunity-finding mechanism in the company
    d. Benchmarking the best company in the industry
    e. Developing Horizon 2 and 3 initiatives

11. What is the best reason to acquire a company?
    f. Financial (good deal)
    g. Increase the size of the company
    h. Increase market share
    i. Aligns with the company’s strategy
    j. Get more buzz on Wall Street

12. The feeling that the future is beyond one’s control and that there is nothing one can do to change it is having a normative attitude about the future.
    a. True
    b. False

13. The principal value of undertaking future mapping is to learn how one’s industry might develop and hence take actions that shape the industry into one more favorable to the company.
    a. True
    b. False

14. Which of the following is not a strategic alliance?
    a. Outsourcing
    b. Expansion
    c. Sharing resources
    d. Joint venture
    e. Partial acquisition
15. Acquisitions fail for many reasons; which of the following is not one of them?
   a. The acquirer overpaid
   b. Management hubris
   c. Cultures are incompatible
   d. Ignorance about the business
   e. Key personnel leave

16. Which of the following is not a good reason to enter into a strategic alliance or acquisition?
   a. Become a stronger competitor
   b. Fit with existing strategy
   c. Provide or extend a competitive edge
   d. Improve the company’s situation
   e. Increases the company’s risk

17. Mergers and acquisitions are the same.
   a. True
   b. False

18. C. K. Prahalad and Venkat Ramaswamy have developed a set of building blocks for co-creating value with customers; which one is not in the set?
   a. In-depth dialog with customers
   b. New kinds of access to information
   c. Creation of models from customer surveys
   d. Transparency to facilitate the interaction
   e. Freedom to exchange information to conduct risk assessments

19. Adrian Ott’s Time-ographics Framework is a four-quadrant grid (propensity to allocate attention vs. propensity to allocate time) that captures aspects of people’s behavior. Which one is not in the framework?
   a. Habit
   b. Work
   c. Convenience
   d. Value
   e. Motivation

20. Which of the following is not a manifestation of strategic thinking?
   a. Having strategic conversations
   b. Management meetings to discuss strategic issues
   c. Attendance at strategy conferences
   d. Membership in strategic and industry organizations
   e. Taking more business trips
1. Which of the following is *not* a dominant industry characteristic?
   a. Scope of competitive rivalry
   b. Stage in industry’s lifecycle
   c. Economies of scale
   d. Capacity utilization
   e. Degree of risk

2. Which factor is typically *not* included in an industry-attractiveness analysis?
   a. Size of potential market
   b. Industry growth rate
   c. Size of entry barriers
   d. Financial strength
   e. Degree of competition

3. Competitors in an industry that produce more or less the same product have bargaining power over their buyers.
   a. True
   b. False

4. Which of the following is *not* a barrier to entry?
   a. Distribution channels all tied up
   b. Ability to forge strategic alliances
   c. High capital investment
   d. Developing a brand reputation
   e. Competitors with lower costs

5. Which of the following is *not* a part of market analysis?
   a. Target market
   b. Degree of penetration
   c. Customers’ future needs
   d. How other companies in the industry are doing
   e. Customers’ price-sensitivity

6. Markets and industries are different.
   a. True
   b. False
7. Market share and industry share are different.
   a. True
   b. False

8. Which of the following is a critical success factor (CSF)?
   a. Financial strength
   b. Barrier to entry
   c. Size of potential market
   d. Degree of regulation
   e. Intensity of competition

9. Which of the following is not an industry driving force?
   a. Changes in the industry growth rate
   b. Increasing pace of technological change
   c. Increasing globalization of the industry
   d. Developing a core competence
   e. Rising energy costs

10. Which question is not part of a Porter’s Five-Forces Model analysis?
    a. Who has bargaining power?
    b. How intense is the rivalry among competitors?
    c. How concentrated is the industry?
    d. How strong is the threat of substitutes?
    e. How high are entry barriers?

11. What is the term for a collection of competitors that produces similar or substitute products or services to a defined market?
    a. Cartel
    b. Market
    c. Oligopoly
    d. Rivals
    e. Industry

12. Which of the following is a demographic variable in environmental-trend analysis?
    a. Trade regulations
    b. Fluctuating exchange rates
    c. Population growth
    d. Changes in political priorities
    e. Personal disposable income

13. Which of the following cannot be deduced from a strategic-group map?
    a. Competitors that are strategically similar
    b. Market shares of individual competitors
    c. Areas of unserved demand
    d. Competitors that are not really competitors
    e. Entry barriers of different strategic groups
Chapter 4

1. Which of the following is \textit{not} part of a thorough financial analysis?
   a. Year-to-year changes in line items and ratios
   b. Acquisition history
   c. Financial ratios
   d. Z- or Z\textsubscript{2}-Scores
   e. Common-size income statements

2. A company has to be both performing well financially and be in good financial condition in order for it to be well managed financially.
   a. True
   b. False

3. Which of the following is an \textit{activity} ratio?
   a. Current ratio
   b. Inventory-to-net-working-capital ratio
   c. Debt-to-equity ratio
   d. Gross profit margin
   e. Average collection period

4. What are Z- and Z\textsubscript{2}-scores?
   a. Variance of sales forecasts
   b. Debt predictors
   c. Cash-flow predictors
   d. Bankruptcy predictors
   e. Quality-of-assets predictors

5. Which one is \textit{not} a profitability ratio?
   a. NPM
   b. ROI
   c. ACP
   d. ROE
   e. GPM

6. Which of the following is \textit{not} a strength?
   a. Proven management
   b. Corporate culture that supports the strategy
   c. Strong brand reputation
   d. Too narrow a product line
   e. Low-cost leader

7. Which of the following is \textit{not} a company weakness?
   a. Declining manufacturing quality
   b. Internal operating problems and inefficiencies
   c. Competitors selling at lower prices
   d. Obsolete facilities
8. Which of the following is an example of a strength?
   a. Existence of international markets
   b. Increasing interest rates
   c. Effective supply-chain management
   d. Top-management turnover
   e. Monitoring a key competitor

9. Which of the following is not one of the criteria that distinguish a capability from a core competence?
   a. Is it valuable?
   b. Is it supported by top management?
   c. Is it rare?
   d. Is it costly to imitate?
   e. Is it nonsubstitutable?

10. Only core competences provide a sustainable competitive advantage.
    a. True
    b. False

11. Abell’s Scheme, originally conceived to help define a mission of a corporation, can also be used to look for opportunities.
    c. True
    d. False

12. Which of the following is not a bona fide opportunity (product-market issue)?
    a. Sell existing products to China
    b. Modify the design of an auto to attract younger buyers
    c. Make more money through cost reduction
    d. Create an innovative product for existing customers
    e. Continue producing products for current customers

13. Which element is not a part of an internal analysis?
    a. Corporate culture
    b. Competitive strength
    c. Weaknesses
    d. Competitive trends
    e. Core competence

14. Which of the following is not a threat?
    a. Slower industry growth
    b. Low-cost foreign competition
    c. Increasing interest rates
    d. Raw-material shortages
    e. Negative cash flow

15. The G.E. Matrix is a plot of industry attractiveness and company strategy.
    a. True
16. A SPACE (Strategic Position and ACtion Evaluation) chart is a four-quadrant grid that determines or confirms the appropriate strategic posture of a company. Which one is not used in the grid?
   a. Competitive advantage
   b. Environmental stability
   c. Innovative culture
   d. Financial strength
   e. Industry strength

17. To which type of culture does being innovative and entrepreneurial belong?
   a. Predatory
   b. Chaotic
   c. Service
   d. New Age
   e. Bureaucratic

18. Becoming more innovative requires a change in the corporate culture.
   a. True
   b. False

19. All leaders are managers but not all managers are leaders.
   a. True
   b. False

20. Which of the following is not a leadership trait?
   a. Ability to motivate others
   b. Visionary
   c. Integrity
   d. Adaptability
   e. Maintains the status quo

21. Which of the following is a good reason to have a formal set of corporate values?
   a. It helps earn the public trust
   b. It communicates to all employees how to behave
   c. It fosters loyalty in consumers
   d. It develops a culture based on those values
   e. All of the above
Chapter 5

1. Which of the following is **not** a strategic issue?
   a. Will the price of a critical raw material increase?
   b. Should the company expand internationally?
   c. Will key legislation affecting the industry be enacted soon?
   d. Should the company reduce its costs?
   e. Should the company acquire a smaller competitor?

2. A strategic issue is:
   a. Something that keeps the CEO up at night
   b. An external trend
   c. An impending event
   d. A strategic decision or choice to be made
   e. All of the above

3. Many companies don’t go to the trouble of creating viable options before deciding on a strategy. Which of the following reasons for not doing so is real?
   a. Takes too long—we’re in a hurry
   b. It doesn’t guarantee the “right” answer
   c. There is no top-management commitment
   d. People don’t know how
   e. The focus is always short-term

4. Good strategic alternatives should...
   a. Be mutually exclusive
   b. Be plausible and doable
   c. Address all strategic issues
   d. Lead to success
   e. All of the above

5. Which of the following is **not** a criterion when choosing the best bundle?
   a. Shareholder value
   b. Selling price of product
   c. Revenue growth
   d. ROI
   e. Degree of risk

6. Which of the following is a criterion for creating bundles?
   a. They must not include different strategies
   b. They must be feasible
   c. They must invest in other industries
   d. They must diversify through acquisition
   e. None of the above
7. Which of the following is not an example of a trend?
   f. Increase in interest rates
   g. Decrease in customers buying on Sundays
   h. People eating out a lot
   i. Increase in the number of foreclosures
   j. Rise in gasoline prices

8. Which of the following is not an example of an international strategy?
   a. Global strategy
   b. Universal strategy
   c. Transnational strategy
   d. Regional strategy
   e. Multidomestic strategy

9. A multidomestic strategy is similar to a transnational strategy.
   a. True
   b. False

10. Which of the following is not a strategy?
    a. Innovation and new product development
    b. Expanding markets through international expansion
    c. Differentiation
    d. Adopting lean manufacturing to reduce costs
    e. Diversifying into another industry through acquisition

11. The final list of strategic issues should match elements in the strategic-alternative bundles.
    a. True
    b. False

12. Choosing a preferred strategy makes sense not only because one can then defend the choice as being the best one, but also because, in Michael Porter’s words, “the essence of strategy is choosing what not to do.”
    a. True
    b. False

13. State, for each of the following possible criteria, whether they are positively or negatively correlated.

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<thead>
<tr>
<th>Criteria</th>
<th>Positively</th>
<th>Negatively</th>
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<tbody>
<tr>
<td>a. Company reputation</td>
<td></td>
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<td>b. Member growth</td>
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<td>c. Program costs</td>
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<td>d. Name confusion</td>
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<td>e. Opportunities for alliances</td>
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<td>f. Competitive retaliation</td>
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<td>g. Organizational cohesiveness</td>
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Chapter 6

1. Setting objectives before deciding on a strategy provides more options and direction.
   a. True
   b. False

2. Which is not a source of funds for a company to finance a bundle?
   a. Cash on hand and from operations
   b. Selling stock if a public company or getting an equity investment
   c. Retained earnings
   d. Adding new long-term debt
   e. Selling fixed assets

3. What are the key components of recommendations?
   a. Setting revenue and NIAT objectives
   b. Defining strategic intent
   c. Identifying key programs
   d. Trigger/contingency pairs
   e. All of the above

4. One cannot judge a strategy without knowing the objectives—and vice versa.
   a. True
   b. False

5. Which of the following is an example of a partial objective?
   a. Increase throughput by 5%/yr
   b. Increase revenues by 10%/yr
   c. Increase NIAT by 15%/yr
   d. Increase international sales by 10%/yr
   e. Hire 150 more salesmen next year

6. Triggers must be external and quantitative.
   a. True
   b. False

7. What is a contingency?
   a. A trend
   b. An operational response to a trigger
   c. An operational plan
   d. An objective
   e. Something that could go wrong

8. Which of the following is not a condition for creating a good contingency?
   a. It should not renege on the chosen strategy
   b. It should be operational, not strategic
   c. It should not be something that the company is already doing
   d. It should solve the problem implied by the trigger
e. It should take a year or so to put into effect

9. Which of the following is not a company objective?
   a. Increase NIAT by 15%/yr
   b. Increase the salesforce by 20% next year
   c. Increase revenues by 20%/yr
   d. Increase market share by 10% over the next five years
   e. Maintain ROE at 15%/yr

10. Which element is not found in a bundle?
    a. Revenue and NIAT objectives
    b. Programs
    c. Prices
    d. Strategic intent
    e. Trigger/contingency pair

11. If someone asks what is a company’s raison d’être (reason for being), the answer is contained in its vision statement.
    a. True
    b. False

12. Which of the following is not a reason for a poor vision statement?
    a. Too broad and grandiose
    b. Focuses on a corporate value
    c. Describes the status quo
    d. Describes an achievable future state
    e. Describes a strategy
1. Strategic planning is useful only when a company doesn’t know what to do.  
   a. True  
   b. False  
2. Which of the following is not a criterion for a strategic-planning process:  
   a. Key company managers must understand it  
   b. The complexity of the process must be commensurate with the culture  
   c. The schedule of the process must fit with that of the participants  
   d. Participants must take it seriously and commit to it  
   e. Involve both top managers and key operational managers  
3. Which of the following is not a good reason to engage a strategic-planning consultant?  
   a. Consultant’s experience with other organizations  
   b. Participants free to focus on the discussion  
   c. Improved quality of participation  
   d. Low price  
   e. “Group think” avoided  
4. Which of the following is not a key strategic decision made during strategic planning?  
   a. Overall companywide objectives  
   b. Distribution channels to be used  
   c. The “best” strategic bundle  
   d. A vision statement  
   e. Major programs and resource allocations  
5. In the strategic-planning process, the situation-analysis portion consists solely of sharing research done by various groups on each part of the situation analysis.  
   a. True  
   b. False  
6. Companywide objectives set by the strategic-planning group are more likely to be achieved than those set just by the CEO.  
   a. True  
   b. False  
7. Which aspect is not typically included in operational plans?  
   a. Whether a part of the company’s IT system  
   b. A timeline of specific tasks  
   c. Who will be responsible for each task  
   d. A proposed budget by task and month  
   e. Additional resources required for proposed tasks  
8. The board of directors are involved in operational planning.  
   a. True  
   b. False
9. Improving the strategic-planning process is important for which reason?
   a. The process is better the next time around
   b. Everyone gets “on the same page”
   c. Better decisions get made
   d. People’s attitude to strategic planning improves
   e. All of the above

10. Doing research and collecting data on a number of external and internal environmental categories—and then sharing that information—improves the quality of the strategic decisions made.
   a. True
   b. False
Chapter 8

1. Implementation is a straightforward process of implementing the chosen strategy.
   a. True
   b. False

2. Which of the following makes strategy execution difficult?
   a. Poor employee buy-in
   b. Inadequate resource allocation
   c. Lack of executive will
   d. An adaptive culture
   e. Poorly articulated operational plans

3. In a Strategy Map, which of the following is not a strategic theme?
   a. Build the enterprise
   b. Be a good corporate citizen
   c. Learning and growth
   d. Increase customer value
   e. Achieve operational excellence

4. The Strategy Map is a good way to get everyone in the organization involved in implementation.
   a. True
   b. False

5. A Strategy Map is a good way to check that the programs in a chosen bundle are complete enough for implementation.
   a. True
   b. False

6. Strategy Maps gain exceptional power when the Build the Enterprise cells are addressed.
   a. True
   b. False

7. During implementation, at the first sign of trouble, the strategy should be changed.
   a. True
   b. False

8. Which of the following statements is false?
   a. If objectives are met, the true heroes are the workers in the trenches
   b. The strategy should be changed the moment things aren’t going well
   c. Checking whether the objectives might be unrealistic should be done after exhausting operational fixes
   d. Questioning whether the company is competing in the right industry is the last step if every other solution has failed
   e. The best execution is doing both planning and implementation seamlessly

9. Emergent strategies affect all planned strategies.
   a. True
10. Often, companies fall behind their competitors in an industry. For precisely that reason, companies should try to “catch up” and benchmark themselves with the best.
   a. True
   b. False

11. The chapter concludes with some advice to stay agile and flexible. Isn’t that possible only when the culture is adaptive?
   a. True
   b. False
Chapter 9

1. The ten benefits outlined in this chapter are really criteria for doing effective strategic planning.
   a. True
   b. False

2. The three benefits under “Think” (shared understanding of external changes, ability to anticipate future external changes, and ability to search for a better strategy or business model) are independent of each other.
   a. True
   b. False

3. If better strategies and/or business models could not be found (under “Think”), a company could still come up with a best strategy from among viable alternatives (under “Plan”).
   a. True
   b. False

4. Strategic planning can still be effective if the culture is not adaptive and innovative.
   a. True
   b. False

5. Good strategy execution is one of the ten benefits of effective strategic planning.
   a. True
   b. False

6. Ultimate responsibility for the strategic direction of the company rests with the CEO.
   a. True
   b. False

7. Which of the following does not contribute becoming a stronger competitor?
   a. Anticipating and meeting customer needs
   b. Developing or strengthening a core competence
   c. Knowing more about your competitors
   d. Reducing supply-chain costs
   e. Maintaining a strong brand and being true to it

8. Achieving companywide objectives or other measures of success means that the company has become a stronger competitor.
   a. True
   b. False

9. An adaptive culture is high on which trait?
   a. Open communications
   b. Learning
   c. Teamwork
   d. Individual initiative
   e. All of the above

10. Operational planning includes appropriate training and reward and incentive systems.
    a. True
b. False