

Strategic Management, 15e, Global Edition (David/David)
Chapter 4 Types of Strategies

1) Long-term objectives represent the results expected from pursuing certain strategies.

Answer: TRUE

Diff: 1

Objective: 4.03 Discuss the value of establishing long-term objectives.

Learning Outcome: Define corporate strategy and identify its key elements

2) Objectives provide direction and allow for organizational synergy.

Answer: TRUE

Diff: 1

Objective: 4.03 Discuss the value of establishing long-term objectives.

Learning Outcome: Define corporate strategy and identify its key elements

3) Strategic objectives include those associated with growth in revenues, growth in earnings, higher dividends, larger profit margins, and improved cash flow.

Answer: FALSE

Diff: 2

Objective: 4.10 Compare and contrast financial with strategic objectives.

Learning Outcome: Define corporate strategy and identify its key elements

4) Strategic objectives include larger market share, quicker on-time delivery than rivals, shorter design-to-market times than rivals, lower costs than rivals, and wider geographic coverage than rivals.

Answer: TRUE

Diff: 2

Objective: 4.10 Compare and contrast financial with strategic objectives.

Learning Outcome: Define corporate strategy and identify its key elements

5) "If it ain't broke, don't fix it" refers to managing by crisis.

Answer: FALSE

Diff: 2

Objective: 4.03 Discuss the value of establishing long-term objectives.

Learning Outcome: Define corporate strategy and identify its key elements

6) The practice of a firm borrowing money to fund dividend payouts to itself is known as dividend recapitalization.

Answer: TRUE

Diff: 3

AACSB: Ethical understanding and reasoning

Objective: 4.01 Define and discuss secondary buyouts and dividend recapitalization.

Learning Outcome: Define corporate strategy and identify its key elements

7) Since a combination strategy bears no risk, many organizations pursue a combination of two or more strategies simultaneously.

Answer: FALSE

Diff: 3

Objective: 4.04 Identify 16 types of business strategies.

Learning Outcome: Define corporate strategy and identify its key elements

8) Horizontal integration is seeking ownership or increased control over competitors.

Answer: TRUE

Diff: 2

Objective: 4.04 Identify 16 types of business strategies.

Learning Outcome: Define corporate strategy and identify its key elements

9) Divestiture is selling all of a company's assets, in parts, for their tangible worth.

Answer: FALSE

Diff: 2

Objective: 4.04 Identify 16 types of business strategies.

Learning Outcome: Define corporate strategy and identify its key elements

10) A chief executive officer is located in the divisional level of a large firm.

Answer: FALSE

Diff: 1

Objective: 4.04 Identify 16 types of business strategies.

Learning Outcome: Define corporate strategy and identify its key elements

11) Gaining ownership or increased control over distributors or retailers is called forward integration strategy.

Answer: TRUE

Diff: 2

Objective: 4.04 Identify 16 types of business strategies.

Learning Outcome: Define corporate strategy and identify its key elements

12) Franchising is an effective means of implementing forward integration.

Answer: TRUE

Diff: 2

Objective: 4.04 Identify 16 types of business strategies.

Learning Outcome: Define corporate strategy and identify its key elements

13) A growing trend is for franchisers to buy out their part of the business from their franchisees.

Answer: FALSE

Diff: 2

Objective: 4.04 Identify 16 types of business strategies.

Learning Outcome: Define corporate strategy and identify its key elements

14) TFDonalds currently owns more than 50 percent of its restaurants.

Answer: TRUE

Diff: 1

AACSB: Application of knowledge

Objective: 4.05 Identify numerous examples of organizations pursuing different types of strategies.

Learning Outcome: Define corporate strategy and identify its key elements

15) Forward integration strategy is especially effective when the availability of quality distributors is so limited as to offer a competitive advantage to those firms that integrate forward.

Answer: TRUE

Diff: 2

Objective: 4.06 Discuss guidelines when particular strategies are most appropriate to pursue.

Learning Outcome: Define corporate strategy and identify its key elements

16) A strategy of seeking ownership or increased control of a firm's suppliers is backward integration.

Answer: TRUE

Diff: 2

Objective: 4.04 Identify 16 types of business strategies.

Learning Outcome: Define corporate strategy and identify its key elements

17) If a firm's present suppliers are expensive and unreliable in meeting the firm's needs for parts, components, and/or raw materials, the firm should pursue a horizontal integration strategy.

Answer: FALSE

Diff: 2

Objective: 4.06 Discuss guidelines when particular strategies are most appropriate to pursue.

Learning Outcome: Define corporate strategy and identify its key elements

18) Horizontal integration is an appropriate strategy when the competitors of an organization are doing poorly.

Answer: FALSE

Diff: 3

Objective: 4.06 Discuss guidelines when particular strategies are most appropriate to pursue.

Learning Outcome: Define corporate strategy and identify its key elements

19) Market penetration, market development, and product development are intensive strategies.

Answer: TRUE

Diff: 2

Objective: 4.04 Identify 16 types of business strategies.

Learning Outcome: Define corporate strategy and identify its key elements

20) When the correlation between dollar sales and dollar marketing expenditures has historically been low, market penetration is an appropriate strategy.

Answer: FALSE

Diff: 3

Objective: 4.06 Discuss guidelines when particular strategies are most appropriate to pursue.

Learning Outcome: Define corporate strategy and identify its key elements

21) Market development includes introducing present products into new geographic areas.

Answer: TRUE

Diff: 1

Objective: 4.04 Identify 16 types of business strategies.

Learning Outcome: Define corporate strategy and identify its key elements

22) An appropriate strategy when an organization has excess production capacity is market development.

Answer: TRUE

Diff: 2

Objective: 4.06 Discuss guidelines when particular strategies are most appropriate to pursue.

Learning Outcome: Define corporate strategy and identify its key elements

23) Secondary buyouts decreased substantially from 2011 to 2012.

Answer: FALSE

Diff: 2

Objective: 4.01 Define and discuss secondary buyouts and dividend recapitalization.

Learning Outcome: Define corporate strategy and identify its key elements

24) Product development is a strategy that seeks increased sales by improving or modifying present products or services.

Answer: TRUE

Diff: 1

Objective: 4.04 Identify 16 types of business strategies.

Learning Outcome: Define corporate strategy and identify its key elements

25) Product development is an appropriate strategy when an organization has successful products that are in the maturity stage of the product life cycle.

Answer: TRUE

Diff: 2

Objective: 4.04 Identify 16 types of business strategies.

Learning Outcome: Define corporate strategy and identify its key elements

26) There are four basic types of diversification: concentric, conglomerate, forward, and backward.

Answer: FALSE

Diff: 1

Objective: 4.04 Identify 16 types of business strategies.

Learning Outcome: Define corporate strategy and identify its key elements

27) Most companies favor related diversification strategies in order to exploit common use of a well-known brand name.

Answer: TRUE

Diff: 2

Objective: 4.04 Identify 16 types of business strategies.

Learning Outcome: Define corporate strategy and identify its key elements

28) Diversification strategies are becoming more popular as organizations are finding it easier to manage diverse business activities.

Answer: FALSE

Diff: 2

Objective: 4.04 Identify 16 types of business strategies.

Learning Outcome: Define corporate strategy and identify its key elements

29) The acquisition of human-resources software and consulting services company Kenexa by IBM is an example of related diversification.

Answer: TRUE

Diff: 2

AACSB: Information technology

Objective: 4.05 Identify numerous examples of organizations pursuing different types of strategies.

Learning Outcome: Define corporate strategy and identify its key elements

30) Unrelated diversification is an appropriate strategy when an organization's present channels of distribution can be used to market the new products to current customers.

Answer: TRUE

Diff: 2

Objective: 4.06 Discuss guidelines when particular strategies are most appropriate to pursue.

Learning Outcome: Define corporate strategy and identify its key elements

31) Deutsche Bank's entrance into the casino business in Las Vegas is an example of related diversification.

Answer: FALSE

Diff: 3

AACSB: Application of knowledge

Objective: 4.05 Identify numerous examples of organizations pursuing different types of strategies.

Learning Outcome: Define corporate strategy and identify its key elements

32) Unrelated diversification may be an especially effective strategy when an organization's basic industry is experiencing increasing annual sales and profits.

Answer: FALSE

Diff: 2

Objective: 4.06 Discuss guidelines when particular strategies are most appropriate to pursue.

Learning Outcome: Define corporate strategy and identify its key elements

33) Retrenchment and turnaround are the same strategy.

Answer: TRUE

Diff: 1

Objective: 4.04 Identify 16 types of business strategies.

Learning Outcome: Compare and contrast different business-level strategies

34) Although bankruptcy can be an effective type of retrenchment strategy, it does not allow firms to avoid major debt obligations and to void union contracts.

Answer: FALSE

Diff: 3

Objective: 4.04 Identify 16 types of business strategies.

Learning Outcome: Define corporate strategy and identify its key elements

35) Chapter 7 bankruptcy is a liquidation procedure used only when a firm sees no hope of being able to operate successfully or to obtain necessary creditor agreement.

Answer: TRUE

Diff: 2

Objective: 4.04 Identify 16 types of business strategies.

Learning Outcome: Define corporate strategy and identify its key elements

36) Chapter 9 bankruptcy applies to municipalities.

Answer: TRUE

Diff: 1

Objective: 4.04 Identify 16 types of business strategies.

Learning Outcome: Define corporate strategy and identify its key elements

37) Stockton, a city in California, declared Chapter 9 bankruptcy in 2012 to avoid having to close key functions such as their police and fire departments.

Answer: TRUE

Diff: 2

Objective: 4.04 Identify 16 types of business strategies.

Learning Outcome: Define corporate strategy and identify its key elements

38) Chapter 13 bankruptcy is similar to Chapter 11, but available only to large corporations.

Answer: FALSE

Diff: 2

Objective: 4.04 Identify 16 types of business strategies.

Learning Outcome: Define corporate strategy and identify its key elements

39) Selling a division or part of an organization is called divestiture.

Answer: TRUE

Diff: 2

Objective: 4.04 Identify 16 types of business strategies.

Learning Outcome: Define corporate strategy and identify its key elements

40) Divestiture has become a popular strategy for firms to focus on their core business and become more diversified.

Answer: FALSE

Diff: 3

Objective: 4.04 Identify 16 types of business strategies.

Learning Outcome: Define corporate strategy and identify its key elements

41) Liquidation is often appropriate when retrenchment and divestiture have failed.

Answer: TRUE

Diff: 2

Objective: 4.06 Discuss guidelines when particular strategies are most appropriate to pursue.

Learning Outcome: Define corporate strategy and identify its key elements

42) According to Porter, strategies allow organizations to gain competitive advantage from three different bases: cost leadership, differentiation, and decentralization.

Answer: FALSE

Diff: 3

Objective: 4.07 Discuss Porter's five generic strategies.

Learning Outcome: Define corporate strategy and identify its key elements

43) For consumers who are price-sensitive, cost leadership emphasizes producing standardized products at a very low per-unit cost.

Answer: TRUE

Diff: 2

Objective: 4.07 Discuss Porter's five generic strategies.

Learning Outcome: Define corporate strategy and identify its key elements

44) A best-value strategy offers products or services to a wide range of customers at the best price-value available on the market.

Answer: TRUE

Diff: 2

Objective: 4.07 Discuss Porter's five generic strategies.

Learning Outcome: Define corporate strategy and identify its key elements

45) A low-cost focus strategy offers products or services to a small range of customers at the lowest price available on the market.

Answer: TRUE

Diff: 2

Objective: 4.07 Discuss Porter's five generic strategies.

Learning Outcome: Define corporate strategy and identify its key elements

46) Jiffy Lube International would be a good example of a firm seeking the best-value focus strategy.

Answer: FALSE

Diff: 2

AACSB: Application of knowledge

Objective: 4.05 Identify numerous examples of organizations pursuing different types of strategies.

Learning Outcome: Define corporate strategy and identify its key elements

47) A cost leadership strategy can be especially effective when most buyers use the product in the same ways.

Answer: TRUE

Diff: 2

Objective: 4.06 Discuss guidelines when particular strategies are most appropriate to pursue.

Learning Outcome: Define corporate strategy and identify its key elements

48) A differentiation strategy can only be achieved with a large target market.

Answer: FALSE

Diff: 2

Objective: 4.07 Discuss Porter's five generic strategies.

Learning Outcome: Define corporate strategy and identify its key elements

49) Differentiation guarantees competitive advantage.

Answer: FALSE

Diff: 2

Objective: 4.07 Discuss Porter's five generic strategies.

Learning Outcome: Define corporate strategy and identify its key elements

50) The most effective differentiation bases are those that are hard or expensive for rivals to duplicate.

Answer: TRUE

Diff: 2

Objective: 4.07 Discuss Porter's five generic strategies.

Learning Outcome: Define corporate strategy and identify its key elements

51) A low-cost focus strategy can be especially attractive when the target market niche is small.

Answer: FALSE

Diff: 2

Objective: 4.06 Discuss guidelines when particular strategies are most appropriate to pursue.

Learning Outcome: Define corporate strategy and identify its key elements

52) A differentiation strategy can be especially attractive when the industry has many different niches and segments, thereby allowing a focuser to pick a competitively attractive niche suited to its own resources.

Answer: FALSE

Diff: 3

Objective: 4.06 Discuss guidelines when particular strategies are most appropriate to pursue.

Learning Outcome: Define corporate strategy and identify its key elements

53) In a turbulent, high-velocity market, a lead-change strategy is best whenever the firm has the resources to pursue this approach.

Answer: TRUE

Diff: 2

Objective: 4.13 Discuss strategies for competing in turbulent, high-velocity markets.

Learning Outcome: Define corporate strategy and identify its key elements

54) Cooperative arrangements and joint ventures are being used increasingly.

Answer: TRUE

Diff: 2

AACSB: Interpersonal relations and teamwork

Objective: 4.09 Discuss the nature and role of joint ventures in strategic planning.

Learning Outcome: Define corporate strategy and identify its key elements

55) Joint ventures tend to fail when managers who must collaborate daily in operating the venture are not involved in forming or shaping the venture.

Answer: TRUE

Diff: 2

AACSB: Interpersonal relations and teamwork

Objective: 4.09 Discuss the nature and role of joint ventures in strategic planning.

Learning Outcome: Define corporate strategy and identify its key elements

56) Divestiture would be an appropriate strategy when a need exists to introduce a new technology quickly.

Answer: FALSE

Diff: 2

Objective: 4.06 Discuss guidelines when particular strategies are most appropriate to pursue.

Learning Outcome: Define corporate strategy and identify its key elements

57) An acquisition occurs when a large organization purchases a smaller one or vice versa.

Answer: TRUE

Diff: 1

Objective: 4.02 Identify the benefits and drawbacks of merging with another firm.

Learning Outcome: Define corporate strategy and identify its key elements

58) When an acquisition or merger is not desired by both parties, it can be called a takeover or hostile takeover.

Answer: TRUE

Diff: 2

Objective: 4.02 Identify the benefits and drawbacks of merging with another firm.

Learning Outcome: Define corporate strategy and identify its key elements

59) The number of hostile takeovers is on the rise.

Answer: TRUE

Diff: 1

Objective: 4.02 Identify the benefits and drawbacks of merging with another firm.

Learning Outcome: Define corporate strategy and identify its key elements

60) White knight is a term that refers to a firm that agrees to acquire another firm when the other firm is facing a hostile takeover by some company.

Answer: TRUE

Diff: 2

Objective: 4.02 Identify the benefits and drawbacks of merging with another firm.

Learning Outcome: Define corporate strategy and identify its key elements

61) A leveraged buyout occurs when a firm's management and other private investors use borrowed funds to buy out the firm's shareholders.

Answer: TRUE

Diff: 2

Objective: 4.02 Identify the benefits and drawbacks of merging with another firm.

Learning Outcome: Define corporate strategy and identify its key elements

62) First mover advantages refer to the benefits a firm may achieve by entering a new market or developing a new product or service prior to rival firms.

Answer: TRUE

Diff: 2

Objective: 4.12 Explain the first mover advantages concept.

Learning Outcome: Define corporate strategy and identify its key elements

63) Companies are avoiding outsourcing more and more because it is more expensive than traditional methods and it does not allow a firm to concentrate on core competencies.

Answer: FALSE

Diff: 3

Objective: 4.13 Discuss recent trends in outsourcing and reshoring.

Learning Outcome: Define corporate strategy and identify its key elements

64) While outsourcing manufacturing, tech support, and back-office work is quite common, it is still unheard of for companies to outsource product design.

Answer: FALSE

Diff: 2

Objective: 4.13 Discuss recent trends in outsourcing and reshoring.

Learning Outcome: Define corporate strategy and identify its key elements

65) The nonprofit sector is America's largest employer.

Answer: TRUE

Diff: 3

Objective: 4.08 Describe strategic management in nonprofit, governmental, and small organizations.

Learning Outcome: Describe the process of strategic management in not-for-profit and public sector organizations

66) Strategists in governmental organizations operate with far more strategic autonomy than their counterparts in private firms.

Answer: FALSE

Diff: 2

Objective: 4.08 Describe strategic management in nonprofit, governmental, and small organizations.

Learning Outcome: Describe the process of strategic management in not-for-profit and public sector organizations

67) Public enterprises generally cannot diversify into unrelated businesses or merge with other firms.

Answer: TRUE

Diff: 2

Objective: 4.08 Describe strategic management in nonprofit, governmental, and small organizations.

Learning Outcome: Describe the process of strategic management in not-for-profit and public sector organizations

68) The strategic-management process is just as vital for small companies as for large companies.

Answer: TRUE

Diff: 1

Objective: 4.11 Discuss the levels of strategies in large versus small firms.

Learning Outcome: Describe how strategic management can be utilized by entrepreneurs and applied to small businesses

69) Research shows strategic management in small firms is more formal than in large firms.

Answer: FALSE

Diff: 2

Objective: 4.11 Discuss the levels of strategies in large versus small firms.

Learning Outcome: Describe how strategic management can be utilized by entrepreneurs and applied to small businesses

70) Long-term objectives are needed at which level(s) in an organization?

- A) Corporate
- B) Divisional
- C) Functional
- D) All of the above
- E) None of the above

Answer: D

Diff: 1

Objective: 4.03 Discuss the value of establishing long-term objectives.

Learning Outcome: Define corporate strategy and identify its key elements

71) Financial objectives involve all of the following EXCEPT

- A) growth in revenues.
- B) larger market share.
- C) higher dividends.
- D) greater return on investment.
- E) a rising stock price.

Answer: B

Diff: 2

Objective: 4.10 Compare and contrast financial with strategic objectives.

Learning Outcome: Define corporate strategy and identify its key elements

72) What principle is based on the belief that the true measure of a really good strategist is the ability to solve problems?

- A) Managing by crisis
- B) Managing by objectives
- C) Managing by extrapolation
- D) Managing by exception
- E) Managing by hope

Answer: A

Diff: 1

Objective: 4.03 Discuss the value of establishing long-term objectives.

Learning Outcome: Define corporate strategy and identify its key elements

73) What principle is built on the idea that there is no general plan for which way to go and what to do?

- A) Managing by crisis
- B) Managing by extrapolation
- C) Managing by objectives
- D) Managing by hope
- E) Managing by subjectives

Answer: E

Diff: 2

Objective: 4.03 Discuss the value of establishing long-term objectives.

Learning Outcome: Define corporate strategy and identify its key elements

74) When the PE firm Clayton, Dubilier & Rice bought David's Bridal from the PE firm Leonard Green & Partner LP this was an example of

- A) dividend recapitalization.
- B) a joint venture.
- C) a secondary buyout.
- D) a leveraged buyout.
- E) a merger.

Answer: C

Diff: 2

AACSB: Application of knowledge

Objective: 4.01 Define and discuss secondary buyouts and dividend recapitalization.

Learning Outcome: Define corporate strategy and identify its key elements

75) Which level of strategy is most likely NOT present in small firms?

- A) Company
- B) Functional
- C) Divisional
- D) Operational
- E) All of the above are present in small firms.

Answer: C

Diff: 2

Objective: 4.11 Discuss the levels of strategies in large versus small firms.

Learning Outcome: Define corporate strategy and identify its key elements

76) Amazon installing "Amazon Lockers" in grocery, 7-Eleven, and drugstores that accept packages for later pickup, in order to combat issues with missing deliveries or having packages stolen, is an example of which type of strategy?

- A) Forward integration
- B) Backward integration
- C) Horizontal integration
- D) Related diversification
- E) Unrelated diversification

Answer: A

Diff: 2

AACSB: Application of knowledge

Objective: 4.05 Identify numerous examples of organizations pursuing different types of strategies.

Learning Outcome: Define corporate strategy and identify its key elements

77) Liberty Media Corp. selling its Starz television network is an example of which type of strategy?

- A) Related diversification
- B) Unrelated diversification
- C) Retrenchment
- D) Divestiture
- E) Liquidation

Answer: D

Diff: 2

AACSB: Application of knowledge

Objective: 4.05 Identify numerous examples of organizations pursuing different types of strategies.

Learning Outcome: Define corporate strategy and identify its key elements

78) IKEA Group investing \$1.9 billion in India to open 25 new stores between 2013 and 2018 is an example of which type of strategy?

- A) Forward integration
- B) Backward integration
- C) Horizontal integration
- D) Market development
- E) Product development

Answer: D

Diff: 2

AACSB: Application of knowledge

Objective: 4.05 Identify numerous examples of organizations pursuing different types of strategies.

Learning Outcome: Define corporate strategy and identify its key elements

79) The controversial practice of a company borrowing money simply to fund dividend payouts to itself is known as

- A) a leveraged buyout.
- B) retrenchment.
- C) first mover advantage.
- D) dividend recapitalization.
- E) dividend divestiture.

Answer: D

Diff: 2

AACSB: Ethical understanding and reasoning

Objective: 4.01 Define and discuss secondary buyouts and dividend recapitalization.

Learning Outcome: Define corporate strategy and identify its key elements

80) Integration strategies are sometimes collectively referred to as which of the following categories of strategies?

- A) Horizontal integration
- B) Diversification
- C) Vertical integration
- D) Stuck-in-the-middle
- E) Hierarchical integration

Answer: C

Diff: 3

Objective: 4.04 Identify 16 types of business strategies.

Learning Outcome: Define corporate strategy and identify its key elements

81) Websites that sell products directly to consumers are examples of which type of strategy?

- A) Backward integration
- B) Product development
- C) Forward integration
- D) Horizontal integration
- E) Conglomerate diversification

Answer: C

Diff: 2

AACSB: Information technology

Objective: 4.04 Identify 16 types of business strategies.

Learning Outcome: Define corporate strategy and identify its key elements

82) Today McDonald's owns about _____ percent of its restaurants.

- A) 9
- B) 20
- C) 50
- D) 67
- E) 89

Answer: D

Diff: 2

Objective: 4.05 Identify numerous examples of organizations pursuing different types of strategies.

Learning Outcome: Define corporate strategy and identify its key elements

83) Which of these strategies is effective when the number of suppliers is small and the number of competitors is large?

- A) Conglomerate diversification
- B) Forward integration
- C) Concentric diversification
- D) Backward integration
- E) Horizontal diversification

Answer: D

Diff: 2

Objective: 4.06 Discuss guidelines when particular strategies are most appropriate to pursue.

Learning Outcome: Define corporate strategy and identify its key elements

84) Backward integration is effective in all of these cases EXCEPT

- A) when an organization competes in an industry that is growing rapidly.
- B) when an organization has both capital and human resources to manage the new business of supplying its own raw materials.
- C) when an organization needs to acquire a needed resource quickly.
- D) when the advantages of stable prices are not important.
- E) when present suppliers have high profit margins.

Answer: D

Diff: 1

Objective: 4.06 Discuss guidelines when particular strategies are most appropriate to pursue.

Learning Outcome: Define corporate strategy and identify its key elements

85) What refers to a strategy of seeking ownership of, or increased control over a firm's competitors?

- A) Forward integration
- B) Conglomerate diversification
- C) Backward integration
- D) Horizontal integration
- E) Concentric diversification

Answer: D

Diff: 3

Objective: 4.04 Identify 16 types of business strategies.

Learning Outcome: Define corporate strategy and identify its key elements

86) In which situation would horizontal integration be an especially effective strategy?

- A) when an organization can gain monopolistic characteristics in a particular area or region without being challenged by the federal government for "tending substantially" to reduce competition
- B) when an organization competes in a slowing industry
- C) when decreased economies of scale provide major competitive advantages
- D) when an organization has neither the capital nor human talent needed to successfully manage an expanded organization
- E) when competitors are succeeding due to managerial expertise or having particular resources an organization possesses

Answer: A

Diff: 3

Objective: 4.06 Discuss guidelines when particular strategies are most appropriate to pursue.

Learning Outcome: Define corporate strategy and identify its key elements

87) Which strategy seeks to increase market share for present products or services in present markets through greater marketing efforts?

- A) Market penetration
- B) Forward integration
- C) Market development
- D) Backward integration
- E) Product development

Answer: A

Diff: 2

Objective: 4.04 Identify 16 types of business strategies.

Learning Outcome: Define corporate strategy and identify its key elements

88) When a domestic company first begins to export to India, it is an example of

- A) horizontal integration.
- B) backward integration.
- C) forward integration.
- D) concentric diversification.
- E) market development.

Answer: E

Diff: 2

AACSB: Application of knowledge

Objective: 4.04 Identify 16 types of business strategies.

Learning Outcome: Define corporate strategy and identify its key elements

89) Which strategy generally entails large research and development expenditures?

- A) Market penetration
- B) Retrenchment
- C) Forward integration
- D) Product development
- E) Divestiture

Answer: D

Diff: 1

Objective: 4.04 Identify 16 types of business strategies.

Learning Outcome: Define corporate strategy and identify its key elements

90) All of the following situations are conducive to market development EXCEPT

- A) when new channels of distribution are expensive and unreliable.
- B) when an organization is successful at what it does.
- C) when new untapped or unsaturated markets exist.
- D) when an organization has excess production capacity.
- E) when an organization's basic industry is rapidly becoming global in scope.

Answer: A

Diff: 2

Objective: 4.06 Discuss guidelines when particular strategies are most appropriate to pursue.

Learning Outcome: Define corporate strategy and identify its key elements

91) Which strategy is appropriate when an organization competes in an industry characterized by rapid technological developments?

- A) Retrenchment
- B) Product development
- C) Backward integration
- D) Liquidation
- E) Market penetration

Answer: B

Diff: 2

AACSB: Information technology

Objective: 4.06 Discuss guidelines when particular strategies are most appropriate to pursue.

Learning Outcome: Define corporate strategy and identify its key elements

92) Which strategy is effective when new, but related, products could be offered at highly competitive prices?

- A) Forward integration
- B) Related diversification
- C) Backward integration
- D) Conglomerate diversification
- E) Unrelated diversification

Answer: B

Diff: 1

Objective: 4.06 Discuss guidelines when particular strategies are most appropriate to pursue.

Learning Outcome: Define corporate strategy and identify its key elements

93) Which strategy should an organization use when its products are currently in the declining stage of the product's life cycle?

- A) Divestiture
- B) Related diversification
- C) Backward integration
- D) Unrelated diversification
- E) Retrenchment

Answer: B

Diff: 2

Objective: 4.06 Discuss guidelines when particular strategies are most appropriate to pursue.

Learning Outcome: Define corporate strategy and identify its key elements

94) FedEx entering the computer repair business offering major corporations overnight computer repair is an example of

- A) backward integration.
- B) divestiture.
- C) retrenchment.
- D) unrelated diversification.
- E) forward integration.

Answer: D

Diff: 1

AACSB: Application of knowledge

Objective: 4.05 Identify numerous examples of organizations pursuing different types of strategies.

Learning Outcome: Define corporate strategy and identify its key elements

95) Which of the following is NOT a guideline for when an organization should use an unrelated diversification strategy?

- A) when revenues derived from an organization's current products or services would increase significantly by adding the new unrelated, products
- B) when an organization's present channels of distribution can be used to market the new products to current customers
- C) when the new products have countercyclical sales patterns compared to an organization's present products
- D) when an organization competes in a highly competitive and/or a no-growth industry
- E) when existing markets for an organization's present products are not yet saturated

Answer: E

Diff: 3

Objective: 4.06 Discuss guidelines when particular strategies are most appropriate to pursue.

Learning Outcome: Define corporate strategy and identify its key elements

96) Many more firms have failed at _____ than have succeeded due to the immense challenge of managing businesses in many industries rather than in a single industry.

- A) forward integration
- B) related diversification
- C) backward integration
- D) unrelated diversification
- E) horizontal integration

Answer: D

Diff: 2

Objective: 4.04 Identify 16 types of business strategies.

Learning Outcome: Define corporate strategy and identify its key elements

97) Revlon closing its manufacturing plant in France and laying off 5 percent of its workforce is an example of

- A) divestiture.
- B) backward integration.
- C) liquidation.
- D) retrenchment.
- E) forward integration.

Answer: D

Diff: 2

AACSB: Application of knowledge

Objective: 4.05 Identify numerous examples of organizations pursuing different types of strategies.

Learning Outcome: Define corporate strategy and identify its key elements

98) What kind of strategy is retrenchment?

- A) A turnaround strategy
- B) An expansion strategy
- C) A diagonal strategy
- D) An intensive strategy
- E) An offensive strategy

Answer: A

Diff: 2

Objective: 4.04 Identify 16 types of business strategies.

Learning Outcome: Define corporate strategy and identify its key elements

99) Bankruptcy

- A) should never be used as a strategy.
- B) should be used only when one is legally forced to do so.
- C) can be an effective type of retrenchment strategy.
- D) should only be used for large firms.
- E) should only be used for small, private firms.

Answer: C

Diff: 2

Objective: 4.04 Identify 16 types of business strategies.

Learning Outcome: Define corporate strategy and identify its key elements

100) Which chapter of the bankruptcy code applies to municipalities?

- A) Chapter 7
- B) Chapter 8
- C) Chapter 9
- D) Chapter 12
- E) Chapter 13

Answer: C

Diff: 1

Objective: 4.04 Identify 16 types of business strategies.

Learning Outcome: Define corporate strategy and identify its key elements

101) The Family Farmer Bankruptcy Act of 1986 created which type of bankruptcy?

- A) Chapter 7
- B) Chapter 8
- C) Chapter 9
- D) Chapter 12
- E) Chapter 13

Answer: D

Diff: 1

Objective: 4.04 Identify 16 types of business strategies.

Learning Outcome: Define corporate strategy and identify its key elements

102) The form of bankruptcy in which all the organization's assets are sold in parts for their tangible worth is

- A) Chapter 7.
- B) Chapter 8.
- C) Chapter 9.
- D) Chapter 11.
- E) Chapter 13.

Answer: A

Diff: 2

Objective: 4.04 Identify 16 types of business strategies.

Learning Outcome: Define corporate strategy and identify its key elements

103) Retrenchment would be an effective strategy when an organization

- A) has shrunk so quickly that major internal reorganization is needed.
- B) is one of the stronger competitors in a given industry.
- C) is plagued by inefficiency, low profitability, poor employee morale and pressure from stockholders to improve performance.
- D) has decided to capitalize on opportunities, maximize threats, take advantage of strengths and overcome weaknesses.
- E) does not have a clearly distinctive competence and has failed to meet its objectives and goals consistently over time.

Answer: C

Diff: 3

Objective: 4.06 Discuss guidelines when particular strategies are most appropriate to pursue.

Learning Outcome: Define corporate strategy and identify its key elements

104) Which term refers to selling a division of an organization?

- A) Joint venture
- B) Divestiture
- C) Concentric diversification
- D) Liquidation
- E) Horizontal integration

Answer: B

Diff: 2

Objective: 4.04 Identify 16 types of business strategies.

Learning Outcome: Define corporate strategy and identify its key elements

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

- A) Backward integration
- B) Divestiture
- C) Forward integration
- D) Cost leadership
- E) Related diversification

Answer: B

Diff: 2

Objective: 4.06 Discuss guidelines when particular strategies are most appropriate to pursue.

Learning Outcome: Define corporate strategy and identify its key elements

106) Selling all of a company's assets, in parts, for their tangible worth is called

- A) joint venture.
- B) divestiture.
- C) concentric diversification.
- D) liquidation.
- E) unrelated integration.

Answer: D

Diff: 1

Objective: 4.04 Identify 16 types of business strategies.

Learning Outcome: Define corporate strategy and identify its key elements

107) Which strategy would be effective when the stockholders of a firm can minimize their losses by selling the organization's assets?

- A) Integration
- B) Differentiation
- C) Diversification
- D) Cost leadership
- E) Liquidation

Answer: E

Diff: 2

Objective: 4.06 Discuss guidelines when particular strategies are most appropriate to pursue.

Learning Outcome: Define corporate strategy and identify its key elements

108) Under which strategy would you offer products or services to a wide range of customers at the lowest price available on the market?

- A) Cost Leadership — Low Cost
- B) Cost Leadership — Best Value
- C) Focus — Low Cost
- D) Focus — Best Value
- E) Differentiation

Answer: A

Diff: 2

Objective: 4.07 Discuss Porter's five generic strategies.

Learning Outcome: Define corporate strategy and identify its key elements

109) According to Porter, which strategy offers products or services to a niche group of customers at the lowest price available on the market?

- A) Cost Leadership — Low Cost
- B) Cost Leadership — Best Value
- C) Focus — Low Cost
- D) Focus — Best Value
- E) Differentiation

Answer: C

Diff: 1

Objective: 4.07 Discuss Porter's five generic strategies.

Learning Outcome: Define corporate strategy and identify its key elements

110) Under which condition would a cost leadership strategy be especially effective?

- A) when there are many ways to achieve product differentiation that have value to buyers
- B) when most buyers use the product in different ways
- C) when buyers incur high costs in switching their purchases from one seller to another
- D) when buyers are small and have little power to bargain down prices
- E) when the products of rival sellers are essentially identical and supplies are readily available from any of several eager sellers

Answer: E

Diff: 2

Objective: 4.07 Discuss Porter's five generic strategies.

Learning Outcome: Define corporate strategy and identify its key elements

111) Under which condition would a differentiation strategy be especially effective?

- A) when there are few ways to differentiate the product or service that buyers perceive as having value
- B) when technological change is fast paced and competition revolves around rapidly evolving product features
- C) when most buyers use the product in the same way
- D) when many rival firms are following a similar differentiation approach
- E) when the differentiation base is easy or inexpensive for rivals to duplicate

Answer: B

Diff: 3

AACSB: Information technology

Objective: 4.07 Discuss Porter's five generic strategies.

Learning Outcome: Define corporate strategy and identify its key elements

112) What occurs when two or more companies form a temporary partnership or consortium for the purpose of capitalizing on some opportunity?

- A) Retrenchment
- B) A joint venture
- C) Liquidation
- D) Forward integration
- E) Divestiture

Answer: B

Diff: 2

AACSB: Interpersonal relations and teamwork

Objective: 4.09 Discuss the nature and role of joint ventures in strategic planning.

Learning Outcome: Define corporate strategy and identify its key elements

113) All of the following are cooperative arrangements EXCEPT

- A) R&D partnerships.
- B) joint-bidding consortia.
- C) cross-licensing agreements.
- D) cross-manufacturing agreements.
- E) marketing plans.

Answer: E

Diff: 1

AACSB: Interpersonal relations and teamwork

Objective: 4.09 Discuss the nature and role of joint ventures in strategic planning.

Learning Outcome: Define corporate strategy and identify its key elements

114) Which of the following is NOT a reason joint ventures fail?

- A) Managers who must collaborate daily in operating the venture are not involved in forming or shaping the venture.
- B) The venture may not be supported equally by both partners.
- C) The venture may benefit the partnering companies but may not benefit the customers who then complain about poorer service or criticize the companies in other ways.
- D) Stakeholders from both partners are equally satisfied.
- E) The venture may begin to compete more with one of the partners than the other.

Answer: D

Diff: 2

AACSB: Interpersonal relations and teamwork

Objective: 4.09 Discuss the nature and role of joint ventures in strategic planning.

Learning Outcome: Define corporate strategy and identify its key elements

115) Which strategy would be most appropriate when the distinctive competencies of two or more firms complement each other especially well?

- A) Conglomerate diversification
- B) Divestiture
- C) Joint venture
- D) Retrenchment
- E) Integration

Answer: C

Diff: 2

AACSB: Interpersonal relations and teamwork

Objective: 4.09 Discuss the nature and role of joint ventures in strategic planning.

Learning Outcome: Define corporate strategy and identify its key elements

116) When two organizations of about equal size unite to form one enterprise, which of these occurs?

- A) Hostile takeover
- B) Merger
- C) Acquisition
- D) Leveraged buyout
- E) Divestiture

Answer: B

Diff: 1

Objective: 4.02 Identify the benefits and drawbacks of merging with another firm.

Learning Outcome: Define corporate strategy and identify its key elements

117) Mergers and acquisitions are created for all of the following reasons EXCEPT to

- A) gain new technology.
- B) reduce tax obligations.
- C) gain economies of scale.
- D) smooth out seasonal trends in sales.
- E) increase the number of employees.

Answer: E

Diff: 2

Objective: 4.02 Identify the benefits and drawbacks of merging with another firm.

Learning Outcome: Define corporate strategy and identify its key elements

118) There are annually more than 10,000 mergers in the United States that total more than

- A) \$700 billion.
- B) \$825 billion.
- C) \$975 billion.
- D) \$1 trillion.
- E) \$3 trillion.

Answer: A

Diff: 2

Objective: 4.02 Identify the benefits and drawbacks of merging with another firm.

Learning Outcome: Define corporate strategy and identify its key elements

119) When companies take over functional operations of other firms, such as human resources, information systems, payroll, accounting, or customer service, this is called

- A) marketing.
- B) outsourcing.
- C) licensing.
- D) franchising.
- E) divestiture.

Answer: B

Diff: 1

Objective: 4.13 Discuss recent trends in outsourcing and reshoring.

Learning Outcome: Define corporate strategy and identify its key elements

120) According to journalists' findings, what is a serious obstacle for many small business owners?

- A) A lack of business ethics
- B) An excess of employees and managerial staff
- C) A lack of experience in networking
- D) A lack of strategic-management knowledge
- E) Having too many suppliers

Answer: D

Diff: 2

Objective: 4.11 Discuss the levels of strategies in large versus small firms.

Learning Outcome: Describe how strategic management can be utilized by entrepreneurs and applied to small businesses

121) Define and give an example, where available, of three integrative strategies.

Answer: The three integrative strategies are forward integration, backward integration, and horizontal integration. Specific student examples will vary, but samples are given here. Forward integration is the gaining of ownership or increased control over distributors or retailers. An example of forward integration is PayPal pushing its service off the Web and into stores via an agreement with Discover card. Backward integration is the seeking of ownership or increased control of a firm's suppliers. Fancy Motels Inc. acquiring a furniture manufacturer is an example of this strategy. Horizontal integration is the seeking of ownership or increased control over competitors. An example of horizontal integration is the Britain's GlaxoSmithKline PLC acquiring Human Genomes Sciences Inc.

Diff: 2

AACSB: Application of knowledge

Objective: 4.04 Identify 16 types of business strategies.

Learning Outcome: Define corporate strategy and identify its key elements

122) List some guidelines for when forward integration would be a particularly good strategy to pursue.

Answer: Some guidelines for when forward integration would be an especially effective strategy are: 1) when an organization's present distributors are especially expensive, unreliable, or incapable of meeting the firm's distribution needs; 2) when the availability of quality distributors is so limited as to offer a competitive advantage to those firms that integrate forward; 3) when an organization competes in an industry that is growing and is expected to continue to grow markedly; 4) when an organization has both the capital and human resources needed to manage the new business of distributing its own products; 5) when the advantages of stable production are particularly high; and (6) when present distributors or retailers have high profit margins.

Diff: 2

AACSB: Analytical Thinking

Objective: 4.06 Discuss guidelines when particular strategies are most appropriate to pursue.

Learning Outcome: Define corporate strategy and identify its key elements

123) Define and give an examples of three intensive strategies.

Answer: Market penetration, market development, and product development are the three types of intensive strategies. Seeking increased market share for present products or services in present markets through marketing efforts is called market penetration. An example of this is PepsiCo heavily advertising its new Diet Pepsi special-edition silver cans, featuring the blue-and-red Pepsi logo in a heart shape. Market development is introducing present products or services into new geographic areas. China Petrochemical's purchase of three Canadian oil companies is an example of market development. Product development is seeking increased sales by improving present products or services or developing new ones. An example of product development is General Electric building new composite material jet engines.

Diff: 2

AACSB: Application of knowledge

Objective: 4.04 Identify 16 types of business strategies.

Learning Outcome: Define corporate strategy and identify its key elements

124) List some guidelines for when market development would be a particularly good strategy to pursue.

Answer: Market development would be an effective strategy in all of the following situations: 1) when new channels of distribution are available that are reliable, inexpensive, and of good quality; 2) when an organization is successful at what it does; 3) when new untapped or unsaturated markets exist; 4) when an organization has the needed capital and human resources to manage expanded operations; 5) when an organization has excess production capacity; and 6) when an organization's basic industry is rapidly becoming global in scope.

Diff: 2

AACSB: Analytical Thinking

Objective: 4.06 Discuss guidelines when particular strategies are most appropriate to pursue.

Learning Outcome: Define corporate strategy and identify its key elements

125) Define and give examples of the two diversification strategies.

Answer: Related and unrelated are the two types of diversification strategies. Businesses are said to be related when their value chains possess competitively valuable cross-business strategic fits; businesses are said to be unrelated when their value chains are so dissimilar that no competitively valuable cross-business relationships exist. Related diversification means adding new but related products or services. An example of related diversification is Toys 'R' Us developing a new Wi-Fi tablet computer for children. Unrelated diversification means adding new, unrelated products or services. An example of unrelated diversification is retailer IKEA opening a chain of motels in Europe.

Diff: 2

AACSB: Application of knowledge

Objective: 4.04 Identify 16 types of business strategies.

Learning Outcome: Define corporate strategy and identify its key elements

126) List some guidelines for when related diversification would be a particularly good strategy to pursue.

Answer: Six guidelines for when related diversification may be an effective strategy are: 1) when an organization competes in a no-growth or a slow-growth industry; 2) when adding new, but related, products would significantly enhance the sales of current products; 3) when new, but related, products could be offered at highly competitive prices; 4) when new, but related, products have seasonal sales levels that counterbalance an organization's existing peaks and valleys; 5) when an organization's products are currently in the declining stage of the product's life cycle; and 6) when an organization has a strong management team.

Diff: 2

AACSB: Analytical Thinking

Objective: 4.06 Discuss guidelines when particular strategies are most appropriate to pursue.

Learning Outcome: Define corporate strategy and identify its key elements

127) Compare and contrast the five types of bankruptcy: Chapters 7, 9, 11, 12 and 13.

Answer: Chapter 7 bankruptcy is a liquidation procedure used only when a corporation sees no hope of being able to operate successfully or to obtain the necessary creditor agreement. Chapter 9 bankruptcy applies to municipalities. Chapter 11 bankruptcy allows organizations to reorganize and come back after filing a petition for protection. Chapter 12 bankruptcy provides special relief to family farmers with debt equal to or less than \$1.5 million. Chapter 13 bankruptcy is a reorganization plan similar to Chapter 11, but it is available only to small businesses owned by individuals with unsecured debts of less than \$100,000 and secured debts of less than \$350,000.

Diff: 2

AACSB: Analytical Thinking

Objective: 4.04 Identify 16 types of business strategies.

Learning Outcome: Define corporate strategy and identify its key elements

128) Discuss Michael Porter's five generic strategies.

Answer: According to Porter, strategies allow organizations to gain competitive advantage from three different bases: cost leadership, differentiation, and focus. Porter calls these bases generic strategies. Cost leadership emphasizes producing standardized products at a very low per-unit cost for consumers who are price-sensitive. Two alternative types of cost leadership strategies can be defined. Type 1 is a low-cost strategy that offers products or services to a wide range of customers at the lowest price available on the market. Type 2 is a best-value strategy that offers products or services to a wide range of customers at the best price-value available on the market. The best value strategy aims to offer customers a range of products or services at the lowest price available compared to a rival's products with similar attributes. Differentiation is a strategy aimed at producing products and services considered unique industry-wide and directed at consumers who are relatively price-insensitive. A low-cost focus strategy offers products or services to a small range of customers at the lowest price available on the market. A best-value focus strategy offers products or services to a small range of customers at the best price-value available on the market.

Diff: 2

AACSB: Analytical Thinking

Objective: 4.07 Discuss Porter's five generic strategies.

Learning Outcome: Define corporate strategy and identify its key elements

129) What are the characteristics of a firm that is successfully pursuing a cost leadership strategy?

Answer: A successful cost leadership strategy usually permeates the entire firm, as evidenced by high efficiency, low overhead, limited perks, intolerance of waste, intensive screening of budget requests, wide spans of control, rewards linked to cost containment, and broad employee participation in cost control efforts.

Diff: 2

AACSB: Analytical Thinking

Objective: 4.07 Discuss Porter's five generic strategies.

Learning Outcome: Define corporate strategy and identify its key elements

130) Discuss four common problems that cause joint ventures to fail.

Answer: One problem that causes joint ventures to fail is that managers who must collaborate daily in operating the venture are not involved in forming or shaping the venture. A second problem is if the venture benefits the partnering companies but does not benefit customers who then complain about poorer service or criticize the companies in other ways. A third problem occurs if the venture is not supported equally by both partners. A final problem that can cause a joint venture to fail is that the venture may begin to compete more with one of the partners than the other.

Diff: 2

AACSB: Interpersonal relations and teamwork

Objective: 4.09 Discuss the nature and role of joint ventures in strategic planning.

Learning Outcome: Define corporate strategy and identify its key elements

131) Name at least six reasons for performing mergers or acquisitions.

Answer: Reasons include: 1) to provide improved capacity utilization; 2) to make better use of the existing sales force; 3) to reduce managerial staff; 4) to gain economies of scale; 5) to smooth out seasonal trends in sales; 6) to gain access to new suppliers, distributors, customers, products, and creditors; 7) to gain new technology; and 8) to reduce tax obligations.

Diff: 2

AACSB: Analytical Thinking

Objective: 4.02 Identify the benefits and drawbacks of merging with another firm.

Learning Outcome: Define corporate strategy and identify its key elements

132) Discuss PE firms and explain what a secondary buyout is.

Answer: Private-equity (PE) firms jumped aggressively back into the business of acquiring and selling firms in 2012-2013. The intent of virtually all PE acquisitions is to buy firms at a low price and sell them later at a high price, arguably just good business. PE firms are increasingly buying companies from other PE firms. Such PE to PE acquisitions are called secondary buyouts. In 2012 these acquisitions totaled \$30 billion in the USA.

Diff: 2

AACSB: Analytical Thinking

Objective: 4.01 Define and discuss secondary buyouts and dividend recapitalization.

Learning Outcome: Define corporate strategy and identify its key elements