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| **Module MCQ Questions:** | **Answer** | **Explanation** |
| Don Mexicana Ltd is discussing how best to differentiate itself from its competitors and how to identify the difference between Operational Effectiveness (increased efficiency) anda true Competitive Strategy.When making that comparison which statement below is correct?Select one:1. Although operational improvements are required to maximise efficiencies and achieve increased profitability, they are sufficient on their own.
2. Operational Effectiveness and Competitive Strategy are both essential to superior performance; however, they do work in different ways.
3. Operational Effectiveness requires constant improvement to achieve superior differentiation and success, so is therefore not a viable short-term solution.
4. Operational effectiveness does not require constant improvement to achieve superior differentiation and success.
 | **B** | - CORRECT ANSWER: Operational Effectiveness and Competitive Strategy are both essential to superior performance; however, they do work in different ways. * They are both essential as one is Short Term (Operational Effectiveness) and the other a sound Long Term Option (Competitive Strategy) – SG 18/19.
* Operational Effectiveness requires constant improvement to achieve superior differentiation and success, so is therefore not a viable short-term solution.
* The correct wording for Operational Effectiveness is that it is 'not a viable long term option".
* Not sufficient on their own as only short term in nature Incorrect Answer: Operational effectiveness does not require constant improvement to achieve superior differentiation and success.
* Wrong, Operational Effectiveness requires constant improvement.
* Operational Effectiveness shifts the productivity outwards as it raises the bar for competitors in the market to compete with and aspire to, which can lead to mutually destructive competition in the marketplace.
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| Michael Porter's 'five forces' model of competition is considered a good example of a Rational Approach to strategy. Which statement below supports that view?Select one:a. The 'five forces' model provides a clear and precise methodology for analysing an organisation's industry environment to determine its profitability, and a choice ofstrategy for optimising performance in these environments.b. Michael Porter's (1980) 'five forces' model's core assumptions are that the environment and the organisation are not clear and definable.c. The model is not widely used as a tool for analysing the field of competition, and its difficult to comprehend and apply. hence is rational in nature.d. The rational model does not emphasise the role of leaders and managers in creating and driving strategy and change. | **A** | * The 'five forces' model provides a clear and precise methodology for analysing an organisation's industry environment to determine its profitability, and a choice of strategy for optimising performance in these environments.
* Michael Porter's (1980) 'five forces' model of competition is an exemplar of the rational approach, as the 'five forces' model provides a clear and precise methodology for analysing an organisation's industry environment to determine its profitability, and a choice of strategy for optimising performance in these environments – SG 26.
* The rational model actually emphasises the role of leaders and managers in creating and driving strategy and change.
* Michael Porter's (1980) 'five forces' model's core assumptions are that the environment and the organisation are knowable and definable, and that managers can analyse their industry and match their organisation's strategy accordingly.
* The model is widely used as a tool for analysing the field of competition, while also being relatively straightforward to comprehend and apply. Its core assumptions are that the environment and the organisation are knowable and definable, and that managers can analyse their industry and match their organisation's strategy accordingly.
* The use of this model, offered as a diagnostic tool for systematic analysis, is argued to be a key step in the formulation of a successful strategy. The model is widely used as a tool for analysing the field of competition, while also being relatively straightforward to comprehend and apply. Its core assumptions are that the environment and the organisation are knowable and definable, and that managers can analyse their industry and match their organisation's strategy accordingly.
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| A large supermarket chain in Australia is restructuring and wishes to ensure all its functions are properly delegated.Which statement below pertains to a Functional Strategy?Select one:1. Functional strategy pertains to that of the organisation and its businesses overall.
2. Functional strategy does not have to be consistent with the overall business strategy.
3. Functional strategy is for each business unit into which the organisation has diversified.
4. Functional strategy pertains to each of the functions in an organisation, such as marketing, production and human resources.
 | **D** | CORRECT ANSWER: Functional strategy pertains to each of the functions in an organisation, such as marketing, production and human resources.Feedback: These functional strategies have to be consistent with the overall business strategy –SG 37.* Business strategy is for each business unit into which the organisation has diversified (the focus

of GSL).* Corporate strategy pertains to that of the organisation and its businesses overall;
* Functional strategy pertains to each of the functions in an organisation, such as marketing, production and human resources, the strategies for which have to be consistent with the overall business strategy.
* Functional strategy pertains to each of the functions in an organisation, such as marketing, production and human resources, the strategies for which have to be consistent with the overall business strategy.
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| Mamazon Online Aust Ltd has noted that there is potential to increase their market share in the online retail market in Australia. The consultant they have hired feels they need to be more creative and offer more innovative products. However, the Marketing Manager disagrees and feels they can be more profitable by being more efficient and updating their internal operating procedures. Mamazon's CEO appreciates that when discussing Differentiation Strategy, it is important to differentiate between Operational Effectiveness (increased efficiency) and a true Competitive Strategy. When making that comparison which statement below is correct?1. Operational effectiveness improves the performance of activities performed, whereas a true competitive strategy attempts to transform the activities performed, so that they differ from rivals or are completed in a different manner to standard practice in the market Operational Effectiveness shifts the productivity inwards as it raises the bar for competitors.
2. Operational effectiveness improves the performance of activities performed, whereas a true competitive strategy attempts to transform the activities performed.
3. Operational Effectiveness is a viable long-term solution.
4. Operational Effectiveness and Competitive Strategy do not significantly contribute to superior performance
 | **B** | CORRECT ANSWER - Operational effectiveness improves the performance of activities performed, whereas a true competitive strategy attempts to transform the activities performed, so that they differ from rivals or are completed in a different manner to standard practice in the market – SG18. Incorrect Answer: Operational Effectiveness is a viable long-term solution.Feedback:Operational effectiveness requires constant improvement to achieve superior differentiation and success, so is therefore not a viable long-term solution. It is not sufficient on its own.Incorrect Answer: Operational Effectiveness and Competitive Strategy however, they do notwork in different ways.Feedback:Operational Effectiveness and Competitive Strategy are both essential to superior performance; however, they do work in different ways.Incorrect Answer: Operational Effectiveness shifts the productivity inwards as it raises the barfor competitors.Feedback:Operational Effectiveness shifts the productivity outwards as it raises the bar for competitors inthe market to compete with and aspire to, which can lead to mutually destructive competition inthe market place.Incorrect Answer: Operational Effectiveness and Competitive Strategy do not significantlycontribute to superior performanceFeedback:Operational Effectiveness and Competitive Strategy are both essential to superior performance; however, they do work in different ways. |
| Which statement below reflects best the Rational Approach to strategy?Select one:a. Implicit and Emergent.b. Imperfect, vague, complex.c. Fragmented, incremental, ad hoc, intuitive, internal focus.d. Orderly. | **D** | CORRECT ANSWER: OrderlyFeedback:Orderly is linked to a Rational Approach and similar to Planned, Analytical, and Cause-Effect SG 27.Incorrect Answer: Implicit and EmergentFeedback:This is a non-rational approach.Incorrect Answer: Imperfect, vague, complexFeedback:This is a non-rational approach.Incorrect Answer: Fragmented, incremental, ad hoc, intuitive, internal focus,Feedback:This is a non-rational approach. |
| Australian Robotics Ltd had re-structured its divisions to ensure that all its key employees think strategically when analysing the market place and future opportunities. However there has been some confusion when Divisional Managers were requested to transfer there thinking to measurable plans. This disconnect has caused some concern about linking Strategic Thinking and StrategicPlanning, Which statement below is most accurate when considering Strategic Thinking and Strategic Planning?Select one:1. Strategic Thinking and Strategic Planning cannot be done underneath the broader framework of analysing both the organisation and the industry in which it operates.
2. Leaders, managers and employees need not release their creative energies in a synergistic and intuitive manner.
3. Problems within an organisation do not provide an opportunity for personal intuition and exploration of different perspectives.
4. There is a clear distinction between strategic thinking and strategic planning.
 | **D** | CORRECT ANSWER: There is a clear distinction between strategic thinking and strategic planning.Feedback:There is a clear distinction between strategic thinking and strategic planning, it is important toremember that both are critical to organisational performance – SG 33.Incorrect Answer: Problems within an organisation do not provide an opportunity for personal intuition and exploration of different perspectives.Feedback Answer:Problems within an organisation provide an opportunity for personal intuition and exploration of different perspectives in order to discover innovative solutions that differ from those of anorganisation's competitors.Incorrect Answer: Leaders, managers and employees need not release their creative energies in a synergistic and intuitive manner.Feedback:Leaders, managers and employees need to release their creative energies in a synergistic and intuitive manner, rather than getting bogged down in linear thinking, rigid processes and established routine.Incorrect Answer: Strategic Thinking and Strategic Planning cannot be done underneath the broader framework of analysing both the organisation and the industry in which it operates.Feedback:Strategic Thinking and Strategic Planning can all be done underneath the broader framework ofanalysing both the organisation and the industry in which it operates. |
| When discussing Strategic Approaches, it is important to to consider all approaches as each provide insights into the challenges of doing strategy. Which one of the statements below is INCORRECT about the approach Leaders and Managers should take?Select one:1. Leaders and Managers should create context rather than plans, to encourage innovation and variety.
2. Leaders and Managers should tolerate imperfection.
3. Leaders and Managers should be sensitive to the environment for new ideas and challenges.
4. Provide sufficient order to make things happen but introduce rigid controls to ensure no employee steps out of line.
 | **D** | CORRECT ANSWER (Negative answer required): Provide sufficient order (a key word in aRational Approach) to make things happen but introduce rigid controls to ensure no employeesteps out of line.Feedback:By Leaders and Managers provide sufficient order to make things happen, but they should not stifle employees’ innovation and variety – SG 27. Incorrect Answer (but correct in relation to the MCQ): Leaders and Managers should besensitive to the environment for new ideas and challenges.Feedback:Leaders and Managers should be sensitive to the environment for new ideas and challenges, inother words be adaptive to a changing environment.Incorrect Answer (but correct in relation to the MCQ): Leaders and Managers should createcontext rather than plans, to encourage innovation and variety.Feedback:Leaders and Managers should create context rather than plans, to encourage innovation andvariety. In other words, be adaptive to a changing environment.Incorrect Answer (but correct in relation to the MCQ): Leaders and Managers should tolerateimperfection.Feedback:Leaders and Managers should tolerate imperfection. Leaders and Managers should be sensitive to the environment for new ideas and challenges, in other words be adaptive to a changing environment.Another Incorrect Answer to note (but correct in relation to the MCQ): Leaders and Managersshould keep rules simple and build adaptive tension.Feedback:Leaders and Managers should be sensitive to the environment for new ideas and challenges, inother words be adaptive to a changing environment. |
| When considering Operational Effectiveness and Differentiation Strategy, which statement below is a good example of Operational Effectiveness?Select one:1. A Household Insurance provider that improves its customer claims process in turn saves customer time and organisation money, which results in an overall improvement.
2. Operational Efficiency is for a household insurance organisation to start offering health insurance as well.
3. Operational Efficiency is about thinking outside the inner sphere and branching into new territory.
4. A motor boat insurance organisation starts offering health insurance as well.
 | **A** | Correct: A Household Insurance provider that improves its customer claims process in turnsaves customer time and organisation money, which results in an overall improvement.Feedback:This is an example of operational effectiveness, as other household insurance companies willmost likely follow suit and improve their efficiencies in customer claims – SG 18.Incorrect: A motor boat insurance organisation starts offering health insurance as well.Feedback:This would be an example of a strategic move as the motor boat insurance organisation startsoffering health insurance as well. This would be tapping into a new market, and differentiatingitself from other traditional household insurance service providers.Incorrect: Operational Efficiency is about thinking outside the inner sphere and branching intonew territory.Feedback:Tapping into a new markets, and differentiating itself from other traditional household insuranceservice providers is a Strategic Move and not Operational Effectiveness.Incorrect: Operational Efficiencies is for a household insurance organisation to start offering health insurance as well.Feedback:This is not Operational Effectiveness and is a strategic move as it tapping into a new market, and differentiating itself from other traditional household insurance service providers. |
| Australian Robotics Ltd (ARL) has noted that Australia could also be experiencing an ageing population problem with robotics playing a large part. The CEO has reservations about whether this requires ARL to consider stretching its resources to adjust to the new environment. In the context of Strategic Fit and Strategic Stretch, which statement below is correct?Select one:1. A strategic stretch will not open up possibilities that competitors may not yet have identified or pursued.
2. Strategic stretch is about encouraging leaders and managers to 'think outside the box'.
3. Strategic stretch is about not encouraging leaders and managers to develop alternative products and services.
4. Strategic stretch is about staying in the old ways of operating to provide existing products and services.
 | **B** | CORRECT ANSWER: Strategic stretch is about encouraging leaders and managers to 'thinkoutside the box'. |
| Don Stint Ltd has decided to pay more attention to what the market is saying about its products/services. Which statement below refers to an "Environment-led Strategic Fit"?Select one:a. Leverage of resources to improve value for moneyb. Investments by corporate centre - core competenciesc. Find and defend a niched. Differentiation based on competences suited to or creating market need. | **C** | CORRECT ANSWER: Find and defend a nicheFeedback:This is how some organisations survive and follow an Environment led fit. Usually suitable forthe smaller industry players – SG 34.Incorrect: Leverage of resources to improve value for moneyFeedback:This is a Resource led stretch.Incorrect: Investments by corporate centre - core competenciesFeedback:This is a Resource led stretch.Incorrect: Differentiation based on competences suited to or creating market need.Feedback:This is a Resource led stretch.Additional Notes: Additional Notes:Another Incorrect Answer: Change the 'rules of the game'. |
| Don Hair Products Ltd has decided to check the market for its products and whether it has the resources to meet any additional demand for its products. Which statement below refers to an "Resource-led Strategic Stretch"?Select one:1. Differentiation based on competences suited to or creating market need.
2. How small players survive, find and defend a niche
3. Investments by corporate centre, strategies of business units or subsidiaries.
4. Strategic fit between market opportunities and organisation's resources.
 | **A** | CORRECT ANSWER: Differentiation based on competences suited to or creating market need.Feedback: Differentiation based on competences suited to or creating market need means achieving competitive advantage through correct positioning – SG 34.Incorrect: Strategic fit between market opportunities and organisation's resources.Feedback: This is an Environment-led Fit.Incorrect: Investments by corporate centre, strategies of business units or subsidiaries.Feedback:This is an Environment-led Fit.Incorrect: How small players survive, find and defend a nicheFeedback: This is an Environment-led Fit.Additional Notes: Additional Notes:Another Incorrect Answer: Risk-reduction through portfolio, ie - Products/businessesFeedback: This is an Environment-led Fit. |
| There is a school of thought that states that states that the productivity Frontier is most important for an organisation. However, Porter argues that for organisations to achievea competitive advantage, strategic differentiation, rather than operational effectiveness, is more important.Which of the following is an example of a differentiation strategy?Select one:1. A bank adopts an online system fortheloan application process
2. An advertising agency decides to relaunch under a new brand
3. A coffee bar starts up an app-based ordering and payment service
4. A sportswear shop opens a newstore ina nearby shopping mall

Strategy is the “bigger picture”. To achieve competitive advantage organisations must offer their activities in a different way to competitors, or offer completely differentactivities. A key distinction between strategy and operational effectiveness is that strategy seeks to transform the activities being performed, whereas operational effectiveness seeks to improve the performance of the existing activities. Offeringcoffee ordering and payment via an app ordering system allows customers to buy their coffee in a new way, and is an innovation as queuing to place and pay for a coffee orderwill no longer be required. All the other options are examples of operational effectiveness or market development. SG 19, 193 | **C** | The correct answer is: A coffee bar starts up an app-based ordering and payment service |
| Don Tramp Ltd has decided to adopt a new plan to become excellent in 'operational effectiveness'. How is this strategy different from other operational strategies? Select theoption with the correct statements or definitions.i. Strategic positioning is also called competitive strategy where the organisation is seeking to perform activities differently and looking for competitive advantage andfocusing on the bigger picture. Operational effectiveness is where the organisation is performing similar activities better than rivals perform them and focuses on improvingperformance and creating short term advantages.ii. Operational effectiveness is also called competitive strategy where the organisation is seeking to perform activities differently and looking for competitive advantage and focusing on the bigger picture. Strategic positioning is where the organisation is performing similar activities better than rivals perform them and focuses on improvingperformance and creating short term advantages.iii. Strategic positioning is unsuitable for companies who make choices between the combination of cost and value whereas Operational Effectiveness is not a concern forcompanies that are not on the productivity frontier as they operate at less than 100% efficiency.iv. Strategic positioning is suitable for companies who operate on the productivity frontier i.e. they make choices between the combination of cost and value whereasOperational Effectiveness is a concern for companies that are not on the productivity frontier as they operate at less than 100% efficiency and their aim is to improve efficiencyin order to reach the productivity frontier.Select one:a. i, ii, iii, ivb. i, ivc. i, ii, iiid. ii, iii, iv | **B** | CORRECT ANSWER: Option i and iv.Feedback:Option (i) & (iv) is directly from the explanation of the topic on SG 18 and 19. As per these pages,Strategic positioning is where the organisation is seeking to perform activities differently andlooking for competitive advantage and focusing on the bigger picture whereas Operationaleffectiveness is where the organisation is performing similar activities better than rivals perform them and focuses on improving performance and creating short term advantages. Strategic positioning is suitable for companies who operate on the productivity frontier i.e. they make choices between the combination of cost and value whereas Operational Effectiveness is a concern for companies that are not on the productivity frontier. |
| Don Stomp Ltd has decided to consider developing plans to fit or stretch in its operating environment.Identify which statements below best describe these two strategies:i. Strategic fit is the match between the organisation and its current industry, and the capabilities (its culture, leadership, technology systems, finance, operations and marketing) of the organisation to operate in its current product/market area. The organisation accepts where it is operating within its industry. The strategic focus is on doing the same as before, only better.ii. Strategic stretch is the match between the organisation and its current industry, and the capabilities (its culture, leadership, technology systems, finance, operations andmarketing) of the organisation to operate in its current product/market area. The organisation accepts where it is operating within its industry. The strategic focus is ondoing the same as before, only better.iii. Strategic fit is encouraging leaders and managers to “think outside the box” in developing alternative products and services or devising new ways to deliver existingproducts or services. It is about exploiting core competencies in new ways.iv. Strategic stretch is encouraging leaders and managers to “think outside the box” in developing alternative products and services or devising new ways to deliver existingproducts or services. It is about exploiting core competencies in new ways.Select one:1. i, ii, iii, iv
2. ii, iii, iv
3. i, ii, iii
4. i, iv
 | **D** | CORRECT ANSWER: Option i and iv.Feedback:Option (i) correctly defines Strategic fit as is the match between the organisation and its currentindustry (external environment) , and its capabilities -SG 377. Option (iv) correctly definesstrategic stretch encouraging leaders and managers to “think outside the box” in developing alternative products and services or devising new ways to deliver existing products or services SG 33. |
| Don Dunk Ltd is convening its senior management team for a strategic planning meeting. Which of the statements below are correct in regards to this process?i. Strategic planning provides the framework and criteria for making operational decisions, implementing these decisions and monitoring and evaluating the implementation.ii. Strategic thinking involves creativity to formulate effective strategy. Leaders, managers and employees need to release their creative energies in a synergistic and intuitive manner.iii. Strategic planning involves creativity to formulate effective strategy. Leaders, managers and employees need to release their creative energies in a synergistic and intuitive manner.iv. Strategic thinking provides the framework and criteria for making operational decisions, implementing these decisions and monitoring and evaluating the implementation.Select one:a. i, ii b. ii, iii, ivc. i, ii, iii d. i, ii, iii, iv | **A** | CORRECT ANSWER: Option i and iiFeedback:Option (i) & (ii) correctly identifies the characteristics of Strategic planning and Strategic thinking. Strategic planning provides the framework and criteria for making operational decisions, implementing these decisions and monitoring and evaluating the implementation and Strategic thinking involves creativity to formulate effective strategy. Leaders, managers and employees need to release their creative energies in a synergistic and intuitive manner – SG 33. |
| Don Swamp Ltd is restructuring its operations according to its long term corporate plans. Which of the statements below is accurate in regards to its Corporate, Business andFunctional strategies?i. Corporate strategy pertains to that of the organisation and its business overall. Business strategy is for each business unit into which the organisation has diversified. Functional strategy pertains to each of the functions in an organisation.ii. Business strategy pertains to that of the organisation and its business overall. Corporate strategy is for each business unit into which the organisation has diversified. Functional strategy pertains to each of the functions in an organisation.iii. Functional strategy pertains to that of the organisation and its business overall. Business strategy is for each business unit into which the organisation has diversified. Corporate strategy pertains to each of the functions in an organisation.Select one:1. i, ii
2. ii, iii,
3. i, ii, iii,
4. i
 | **D** | Feedback: This option correctly defines, Corporate, Business and Functional strategy. Corporate strategy pertains to that of the organisation and its business overall. Business strategy is for each business unit into which the organisation has diversified. Functional strategy pertains to each of the functions in an organisation. The other two statements are incorrect – SG 36.The correct answer is:i |
| A Coffee and nuts distribution company implementing GPS tracking and guidance equipment on all of their trucks is an example of which of the following?A. Competitive strategyB. Operational efficiencyC. Differentiation strategyD. The productivity frontier | **B** | The company is implementing something that will hopefully reduce their costs and therefore increase their operational efficiency. This is related to the productivity frontier but is not the same. It is not differentiation or competitive strategy. |
| Greatstyle Furniture are implementing four new initiatives including, introducing an interior design consultancy service, increasing multi-disciplinary staff numbers, and changing 20% of their products to customer self assembled designs.How many of these initiatives are focused on competitive strategy?A. 0B. 1C. 2D. 3 | **B** | An interior design service is utilising resources in a different way and therefore is a strategic stretch. Increasing the number of staff who can perform different roles is increasing the efficiency of operations. Moving to self assembled designs will significantly reduce costs and storage space and is an efficiency improvement. Therefore only one of the three initiatives is a strategic stretch.Note: It could be argued that the third initiative of self assembled design is a competitive strategy as it would allow Greatstyle to lower prices on their products. However, these days IKEA is no longer unique in this and self assembled low priced furniture is available pretty much everywhere. |
| The Australian Tax Office putting its tax auditors through comprehensive training, resulting in a reduction in caseinvestigation. Which of the following is this an example of?A. Cost reductionB. Competitive strategyC. Operational efficiencyD. Differentiation strategy | **C** | The ATO is implementing something that will increase the efficiency of the organisation rather than seeking a competitive strategy or trying to differentiate. Yes, this will result in cost reduction but what we want to identify here is the efficiency aspect. |
| Which of the following is the best description of operational effectiveness?A. Doing activities that differ from competitors.B. Delivering more activities for extended periods of time.C. Performing similar activities better than rivals perform them. D. Transforming activities that differ from rivals or are delivered in a different way. | **C** | C is correct because it describes how a company can run better operations than competitors and therefore be more effective.A and D are both describing elements that might deliver a competitive strategy, and B is just describing doing more things, not necessarily doing them more effectively. |
| Which of the following type of concept is the productivity frontier?A. political.B. economic.C. operational.D. technological. | **B** | B is correct because it is describing a company's position in the market.A is incorrect because it has nothing to do with external political factors.C is incorrect because operational effectiveness is only one axis of the frontier.D is incorrect because the productivity aspect is not related to technology alone. |
| A nervous CEO is presenting to his Board on why a recent strategy implementation has failed to deliver the expected results. The CEO presented that management closely followed change management processes and that a staff survey showed that 78% of respondents were aware of the strategy, and supported it. The new market they expanded into remains in strong growth and the expected red-tape regulation challenges were not as severe as first envisaged. When questioned by Board members, the CEO admitted that it had taken his management team too long to realise that things were not on track because robust reporting processes were not in place. Also, the requirement for the company to distribute their product in this new market exposed their lack of experience and skills in this area, as they used third-party distributors in their local market. Which of the following statements best describes where the company had issues in the strategy process?1. Their analysis of the internal environment was weak and didn't identify the resources and capabilities required to implement the strategy.
2. 22% of survey respondents didn't understand the strategy, and this caused inertia in implementation and a failure to understand key skill gaps.
3. The CEO's style of leadership meant that employees were scared to report on implementation initiatives that were not meeting targets, therefore stopping action being taken.
4. They didn't complete a comprehensive enough analysis of the external environment, resulting in management not understanding PESTEL impacts that would affect implementation.
 | **A** | A is correct because the information shows us that there were internal gaps around skills and experience, and reporting. These form part of an internal analysis of strategic and operational drivers.B is incorrect because we can't infer that 22% of a survey meant there was inertia, or that those people were the ones specifically involved in distribution operations.C is incorrect because the information doesn't discuss the CEO's style of leadership. Perhaps he/she did make people scared, but we can't infer that is the reason that reports were not handed up.D is incorrect because the question information shows that they probably did complete an external analysis and identified key issues they needed to consider. |
| Which of the following best describes the difference between management and leadership?A. Managers get others to do and leaders get others to want to do.B. Leaders run a company and managers implement their strategic plans.C. Leaders have charisma and vision and managers have attention to detail.D. Managers develop strategy and leaders communicate and sell that to others. | **A** | The first option is correct because managers have direct sub-ordinates whereas leaders rely on convincing others above or below them to follow a path. The second option is incorrect because leadership is not about running an operation and managers do more than just implement a plan. The third option is incorrect because these two statements generalise the character too much. Not all leaders may have charisma, nor all good managers have attention to detail. The fourth option is incorrect because a strategy is not necessarily developed and communicated by a specific position category in each organisation. |
| Bendigo Bank has established itself as a “people’s bank” where their focus on close customer relationships and setting themselves in regional areas where major banks had left. This strategy has given them a unique position inthe industry. Bendigo Bank has developed strong customer service resources over many years, starting in regionaltowns. They have expanded operations to larger cities where their customers are wealthier but more time-poor.Which of the following best describes their approach to strategy?A. A strategic fit between the bank's resources and market opportunities that enabled them to leverage their keycompetencies to service a smaller market, and then expand into larger markets.B. A rational approach because they examined the external environment and customer segments closely then produced a flexible and responsive strategy to exploit a differentiation opportunity.C. They differentiated based on their internal capabilities and resources to create a new market in regional areas and deliver a strategic stretch in a new environment in large metropolitan cities.D. A resource-led strategy that changed the rules of the game because other major banks would not servicesmaller rural areas, nor spend the time and money on creating personal relationships with customers. | **A** | A is correct because their strategy was an environment led fit. The bank used its resources to provide services to an existing market that had been left out by the large banks. They moved into the metropolitan market byutilising the same resources. It doesn't matter that big city folk are wealthier and more time-poor. The same customer service capabilities can succeed.B is incorrect because a rational approach is not often flexible and responsive. There is also not enough information in the question to conclude whether it was a rational approach or not.C is incorrect because they didn't create a new market - it already existed. This would have been a resource led stretch strategy which is not what they did.D is incorrect because changing the rules of the game is about a strategic stretch strategy which was not their approach. |
| Which of the following statements about globalisation best describes the increasing complexity in strategy?A. Increases in currency exchange trading has led to FOREX risks that make market expansion strategies challenging.B. Reductions in large multinational corporations' profits is due to greater competition from local rivals in differentmarkets.C. Access to cheap labour in developing countries has led to more public relations issues for geographically spread companies.D. Increased opportunities to trade in new markets comes with increased challenges from a political and regulatory perspective. | **D** | D is correct because new trading markets are a direct result of globalisation and also require organisations to develop more complex strategies to operate in those new markets. New markets bring opportunities for expansion but also challenges with political and regulatory risks, different accounting standards, financial risks, transfer pricing and more.A is incorrect because companies face FOREX risks, but can hedge against it. This option doesn't encapsulate how globalisation has influenced complexity.B is incorrect because although some cheap labour strategies have resulted in poor PR for companies, this doesn't explain complexity in strategyC is incorrect because there isn't evidence that multinationals have decreased because of local country competition and that this is related to globalisation. |
| Strategy on paper looks good but when implemented, rarely goes entirely according to plan. Which of the following best describes what leaders can do about the shortcomings of the rational approach to strategy development?A. They need to ensure that context analysis is completed first, before creating their vision.B. They should provide the ability to iterate through using rules and processes that are robust but not rigid.C. Their communication of the sequential steps in strategy will reduce employee anxiety about likely change.D. Implementing the analysis of Porter's Five Forces model by senior management ensures the external analysis is achieved. | **B** | B is correct because this is discussing a potential short-coming of the rational approach to strategy - that it is too rigid to allow for the fact that parts of the implementation will need reviewing and the strategy modified.This can happen several times meaning that a more flexible approach is required, and one way to achieve this is to set rules that are simple but don't stifle people with rigid controls.A and D are not describing the short-comings of the rational approach.C, although relevant is related to how important communication is in the change process, rather than the rational approach to strategy. |
| Which of the following best describes the classical view of ethics?A. Leaders and managers should display ethical behaviour in their roles.B. Companies should only pursue profit maximisation through open competition.C. Companies should ensure shareholders returns are always greater than all other stakeholders.D. Leaders should ensure their company complies with the law and the morality of society. | **B** | B is correct because a company's primary role is to return value to shareholders and the best way to do this is through increased profits.A is incorrect because the pursuit of profits means that leaders and managers do not need to focus on social responsibility or morality.C is incorrect because giving more value to one stakeholder over another is not an ethical issue.D is incorrect because leaders aiming to increase profits only would not focus on compliance or morality. |
| Henry Mintzberg and Michael Porter are arguing in a bar. Minzberg says that Porter got it all wrong and that companies don’t use the rational approach to strategy. Porter says Mintzberg is missing the point that strategy is about discipline and that companies that don’t adhere to a plan are likely to go off-course. Although the argument is probably not going to end, which of the following statements best describes why they have their positions?A. Porter sees Mintzberg's approach to strategy as likely to be chaotic and lacking control. Mintzberg believes that only tactics will enable a company to differentiate.B. Porter believes that to differentiate, companies must provide a broad range of products or risk being beaten byrivals. Mintzberg sees Porter's rational approach to strategy as too rigid.C. Mintzberg believes companies are fluid and have to react to environmental changes, and Porter believes companies need to be able to say no to new products or services if they don't align.D. Mintzberg doesn't agree that Porter's Five Forces enables an organisation to understand industry profitability. Porter believes that operational efficiency is a tactic to use to build a competitive strategy. | **C** | C is correct. Mintzberg disagreed with Porter's rational approach to strategy because he saw organisations as flexible, fluid entities where a level of trial and error must occur in strategy development and implementation. On a different note, Porter does argue that always expanding and diversifying is not always smart. Companiesneed to sometimes say no to new products and services when they don't align with the strategy.A is incorrect because Mintzberg didn't make statements that tactics are the way to differentiate.B is incorrect because Porter makes the point that you don't have to be broad in your strategy to be successful - often smaller more niche markets are a better strategy.D is incorrect because Mintzberg doesn't make any claims about Five Forces (at least, not in this study guide). We are not discussing this concept but rather a broader one about competitive strategy and approaches to strategy. |
| You are a senior financial controller, reporting directly to the CFO. You are leading a project team to develop a new strategy for the company that involves organisational wide analysis and investigation, and investment across different business functions. Which of the following statements is most likely to relate to you in leading this strategy team?A. You will gather finance and other data to submit to the project team, and provide support for financial modelling to find key insights. You participate in project implementation to provide resources where required.B. Your oversight of the strategy development involves you providing reports and presentations to the Board. You lead the change management for the organisation, providing governance for all strategic decision making.C. Your knowledge of analytical approaches leads you to manage all big data collection and analysis to find key trends. You focus on the four Vs, looking both to historical events and real-time data to support your recommendations.D. You place your team of accountants in different business units to directly work with line managers in data collection and analysis. You challenge business models and assumptions, and plan for contingencies and risk mitigation. | **D** | D is correct because the elements of this option align most closely with how a financial controller might interface with a strategy development/implementation. You would realise the importance of getting your team members out into different business areas in the analysis stage, as well as being able to plan for contingencies and risks.A is incorrect because these are things that an accountant would do and not a financial controller.B is incorrect because these actions are for a CFO, who would be liaising (with the CEO) with the Board.C is incorrect because, although the four Vs are important, this related more to a senior accountant or accountant role, and the financial controller should be working at a broader level. |
| According to Michael Porter, there are two overall strategic approaches an organisation can take. Which of thefollowing statements best describes elements of these strategies?A. Being both a low cost producer and driving competitive strategy lead to market dominance.B. Differentiating your product increases profit margins more than being a low cost producer.C. Companies seek to excel at operational effectiveness over competitive strategy to beat rivals.D. Competitive strategy aims to achieve an outcome where the company is a market leader in efficiency of operations. | **B** | B is correct because the aim of differentiation is to provide a unique product that raises the willingness to pay of customers. This increases profit margins. Although reducing costs can also do this, you are limited to how far you can go. Only differentiation can achieve higher and higher margins.A is possible but not likely and does not best describe the elements of the strategies Porter is describing.C is incorrect because companies don't necessarily aim to excel at operational effectiveness to beat rivals.D is incorrect because competitive strategies aim to place the company in a unique position and to be able to drive higher margins through differentiation. |
| Which of the following options best describes strategic thinking?A. A way in which the strategic planning process can be undertaken.B. Linking concepts to operational practices to articulate the big picture.C. Thinking about the specifics of the organisation to develop the best approach.D. Linking concepts to operational practices as building blocks of strategic development. | **B** | B is correct. Strategic thinking is about linking concepts to operational practices, and being able to understand and articulate the ‘big picture’ in terms of an organisation’s potential strategic directions and developments.Effective leaders should be able to conceptualise and articulate in clear terms the “big picture” and their organisation’s strategic position and direction. A is incorrect because strategic thinking is concerned with developing a conceptual understanding of how the various parts of an organisation operate, both internally and in interaction with the environment andstakeholders outside the organisation.C is incorrect because too much focus on the specifics of the situation can constrain strategic thinking.D is incorrect because strategic thinking is about seeing the ‘big picture’ and not adopting a building block approach to strategy development. |
| Which of the following options is the best example of functional strategy?A. Allocation of resources within the portfolios.B. Marketing plans developed by the marketing department.C. Risk appetite set by the board of directors for the organisation.D. Selecting differentiation as the generic strategy through which to compete. | **B** | B is correct because functional strategy operates at the level of the department or functional activity in the business (e.g. marketing, finance, operations, research and development, human resources) and adds detail to the overall business strategy.A is incorrect because it is an example of corporate strategy, which includes effectively allocating corporate resources and prioritising growth businesses within the portfolio.C is incorrect because it is an example of a decision that would be made by the board.D is incorrect because it is an example of business strategy, under which sustainable competitive advantage requires deciding in what market competitive edge can be achieved. |
| Which step in the rational approach to strategy allows managers to identify that a threat exists and must bemitigated if the future strategy is to succeed?A. Establishment of clear goals.B. External and internal analysis.C. Generation of strategic options.D. Implementation of the chosen options. | **B** | B is correct. The analysis of the external environment via a strengths, weaknesses, opportunities and threats (SWOT) analysis allows managers to identify opportunities that could be taken up, while the analysis of the internal environment allows managers to ascertain if the organisation has the capabilities to successfully pursue them.A is incorrect as the goals of the organisation are about defining the long-term aspirations of the organisation and how managers can assess the performance of the organisation.C is incorrect as this step focuses on the achievement of the established goals and not the identification of suitable opportunities to pursue as part of the strategy.D is incorrect as it articulates how the strategy once formulated will be implemented via strategic projects and/or the operations of the organisation. |
| Which of the following statements best describes why Porter’s five forces model of competition is often used inconjunction with the rational approach?A. It is a superior method for understanding how to formulate strategy.B. It is a useful method for understanding the nature of competition within the organisation’s industry.C. It is a method managers can use to come to a consensus agreement about the contents of the organisation’s strategy.D. Senior management can use it to systematically analyse how competitors, substitute products, new entrants, customers and suppliers affect the organisation’s position in its industry. | **D** | D is correct. The rational approach requires an examination of the external and internal environments for an organisation. Part of an external environment analysis includes analysing industry profitability. Porter’s Five Forces concept is used to do this in a systematic manner. It allows managers to understand how the context should inform the strategy.A incorrect because it only partially explains why the five forces model of competition is often used. It is indeed considered by many to be a superior model on which to base the strategy process, but this answer does not explain the relationship between it and the rational approach to strategy.B incorrect because it only partially explains why the five forces model of competition is often used, and doesn’t show a clear link to the rational approach.C incorrect because it only partially explains why the five forces model of competition is often used. Though managers can use it to come to a consensus decision, this is not part of the rational approach, nor may it always be the outcome. |
| Which of the following options is the best reason why globalisation is important in the context of strategydevelopment?A. Many companies internationalise their operations in order to achieve growth.B. Adapting products and services to a new environment can be cheap and is a straightforward process for organisations.C. Globalisation has integrated international economic activity and created global production systems that serveglobal markets.D. The tailoring of products and services for local markets can allow better coordination and integration of activities along an organisation’s value chain. | **C** | C is correct. The term ‘globalisation’ refers to international organisations with operations in many countries that are integrated in some way through finance, production, marketing or sales activities. Globalisation has integrated international economic activity and created global production systems that serve global markets. Such global markets have presented greater business opportunities compared to domestic markets, hence the transformational shift toward this business model.A is incorrect as many companies internationalise their operations in response to the arrival of foreign competitors attracted by the growth in domestic markets, but also similar in response to their own need for growth outside the domestic markets.B is incorrect as adapting products and services to a new environment can be costly and is rarely a straightforward process for organisations.D is incorrect because a central view of globalisation is that the standardisation of products and services for global markets can allow better coordination and integration of actives along an organisation’s value chain. |
| Which of the following statements best describes the classical view of ethics?A. Leaders of organisations must comply with society’s ethical and moral values.B. Organisations should engage in profit-making activities regardless of what they are.C. Organisations should seek socially responsible goals, which will lead to increased profitability.D. Senior management’s primary obligation is to provide a return on investment to the shareholders. | **D** | D is correct because Milton Friedman (1962) argued that the primary obligation of the senior management team was to provide a return on investment to the owners (shareholders) of the organisations for which they work.A and C are incorrect because the classical view proposes that for an organisation to pursue values other than profit, it is then confronted with a threat to survival and therefore unjustly undermines the intentions of its owners. From the classical perspective, seeking socially responsible goals is not only likely to incur costs, but may also de-focus the efforts of the firm, which may lead to decreased productivity.B is incorrect because profit-making activities would only meet this obligation if they provided a return on investment to the owners. |
| Blue Sky Ltd’s (Blue Sky’s) senior management have just returned from a strategic planning retreat where therational approach to strategy was used. During this time, they discussed the current position of the companyrelative to industry competitors, considered the position of the company financially, identified and assessed options for future product development and agreed on a broad implementation plan. Which of the following statements best describes the activities undertaken by Blue Sky?A. A method to identify opportunities in the marketplace.B. A bottom-up, top-down process that involves the input of everyone at the firm.C. A series of discrete, sequential planning activities that may need to be repeated at a later date.D. A series of discrete, sequential planning activities that is very similar to activities undertaken by the military. | **C** | C is correct. The rational approach to strategy is based on a linear and mechanistic model, in which the conception and execution of strategy are treated as discrete, sequential activities. The essential purpose of this approach is to assess the organisation and its environment, achieve a fit between the two and, on the basis of this analysis, forecast and plan for the future. In practice, certain steps may need to be repeated to ensure the strategy is refined as is appropriate, especially as new facts about competitors, customers, the internal environment, and the progress of the strategyimplementation plan become known.A is incorrect because the rational approach is used to identify all facts and issues that should be taken into account when formulating and implementing the strategy, and not just identify potential opportunities for the future.B is incorrect because the rational approach normally considers the strategy process to be the domain of the senior management team.D is incorrect because although the rational approach was inspired by activities undertaken by the military, it involves fundamentally different activities to those undertaken by military personnel. |
| Which of the following statements is not an example of corporate strategy?A. Countering the moves of competitors.B. Determining how the scope of multiple business units are managed.C. Capturing and the using synergies to improve competitive advantage.D. Allocating resources by using growth potential as a prioritisation technique. | **A** | A is correct. Corporate strategy embraces all of a diversified organisation’s businesses and determines how the scope of these businesses is managed and coordinated to contribute to corporate performance. Thompson & Strickland et al. (2007) identified the following initiatives of corporate strategy:• establish business positions across a number of industries;• boost the combined performance of the businesses and improve competitive position;• capture and use the synergy among the businesses to improve competitive advantage; and• effectively allocate corporate resources, prioritising growth businesses within the portfolio.Business strategy aims to build and strengthen the long-term competitive position in the marketplace. This includes determining what product or service attributes will distinguish the business from its rivals and countering the moves of competitors.B, C and D are incorrect because they are examples of corporate strategy. |
| After returning from a strategic planning retreat, which of the following activities is not an example of the strategy process that should be followed by Blue Sky Ltd’s management team?A. Determining the purpose of the organisation.B. Having an effective leader to lead this process from beginning to end.C. Developing the chosen growth strategy aligned with the external environment.D. Understanding and analysing the external environment outside the organisation. | **C** | C is correct. The strategy process sets out a series of prescriptive stages for the practice of ‘doing’ strategy. These stages include:• understanding and analysing the external environment outside the organisation;• understanding and analysing the internal environment inside the organisation;• analysing and determining the most appropriate method of growth for the organisation;• determining the purpose of the organisation;• developing the chosen growth strategy aligned with the purpose of the organisation;• implementing the strategy and understanding the importance of change management; and• having an effective leader to lead this process from beginning to end.C is not a stage of the strategy process, as the chosen growth strategy should be developed in alignment with the purpose of the organisation.Options A, B and D are incorrect as these are stages in the strategy process. |
| Which of the following statements best describes the nature of strategy?A. Focusing on improving day-to-day activities or operations.B. Doing the same thing as one’s competitors in a better or faster manner.C. Performing activities differently, or to perform different activities from one’s competitors.D. Shifting out the productivity frontier as new technologies and approaches are developed. | **C** | C is correct because it is important to differentiate strategy from the focus on improving day-to-day activities or operations. Improving operational effectiveness or increasing efficiency is important, but it is not the same as atrue competitive strategy. Operational effectiveness can be likened to tactics that improve the performance of activities; whereas, a true competitive strategy attempts to transform the activities performed, so that they differfrom rivals or are completed in a different manner to standard practice in the market.A is incorrect because it concerns the continuous improvement of daily activities and not a long-term approach for achieving a competitive advantage.B is incorrect because it does not give rise to long-term competitive advantage. Undertaking the same thing as one's competitors in a better or faster manner is an advantage that can be copied and eroded over time.D is incorrect because it is about productivity and not long-term advantage. While productivity is important, establishing a long-term competitive advantage is required. |