TT TEXTBOOK TESTBANKS

Test Bank for Understanding Strategic Management 4th Henry

TEST BANK SAMPLE PREVIEW

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Chapter 2: Evaluating the Macro-environment

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Type: fill-in-blank
Title: Chapter 02 Question 01
1) The macro-environment is also referred to as the _______________ environment.
Feedback: General environmental factors can affect any industry. It is relatively difficult to predict changes in the macro-environment.
A-head reference: 2.1 The Macro-environment
a. General environment

Type: multiple choice question
Title: Chapter 02 Question 02
2) The competitive environment can be seen as being influenced by five major forces: potential entrants, power of buyers, power of suppliers, competitive rivalry, and:
a. Strategic groups
Feedback: No, this is a way of subdividing an industry into similar firms.
A-head reference: 2.1 The Macro-environment
*__b.__ Substitutes
Feedback: Yes, these are alternative ways of fulfilling the same need. These alternatives can come from different industries. For example, the hand-held electronic organizer is a substitute for a Filofax.
A-head reference: 2.1 The Macro-environment
c. Competing firms
Feedback: No, competing firms are considered within the competitive rivalry force.
A-head reference: 2.1 The Macro-environment
d. Competing brands
Feedback: No, competing brands are considered within the competitive rivalry force.
A-head reference: 2.1 The Macro-environment

Type: fill-in-blank
Title: Chapter 02 Question 03
3) Environmental analysis involves the activities of scanning, ________, and forecasting.
Feedback: Once environmental cues have been picking up by scanning, they need to be continually monitored.
A-head reference: 2.2 Scanning, Monitoring, and Forecasting Changes in the Environment
a. Monitoring

Type: true-false
Title: Chapter 02 Question 04
4) Porter (1985) has argued that an analysis of the organization's competitive environment provides more useful data than an analysis of the macro-environment.
Feedback: Porter believed that the industry structure (the competitive environment) has most influence on the organization and that an analysis of the macro-environment is of limited use.
A-head reference: 2.2 Scanning, Monitoring, and Forecasting Changes in the Environment
*__a.__ True
b. False

Type: fill-in-blank
Title: Chapter 02 Question 05
5) Threats faced by an organization that have the potential to undermine the way they compete are known as _________________
Feedback: Discontinuities are profound changes in the environment that can radically alter the industry. For example, when the typewriter was superseded by the computer.
A-head reference: 2.2 Scanning, Monitoring, and Forecasting Changes in the Environment
a. Discontinuities

Type: true-false
Title: Chapter 02 Question 06
6) The aim of macro-environmental analysis is to aid the organization in discerning trends in the macro-environment which might impact upon its industry and markets.
Feedback: Peter Ginter and Jack Duncan argue that Macro-environmental analysis enables an organization to anticipate opportunities and threats and develop appropriate responses.
A-head reference: 2.2 Scanning, Monitoring, and Forecasting Changes in the Environment
a. False
*__b.__ True

Type: multiple response question
Title: Chapter 02 Question 07
7) It allows the company to create a new performance trajectory for consumers based on different attributes than those of the existing technology used by the incumbent firm. This business activity is known as: Please select all that apply.
Feedback: Disruptive innovation refers to a process in which a smaller company with fewer resources manages to successfully challenge established incumbent businesses. Clayton Christensen differentiates disruptive from sustaining innovations, which is usually adopted by incumbent firms in the industry which will have invested substantially in their current technology.
A-head reference: 2.2.1 Scanning the Environment
***a.** Disruptive innovation
b. Sustaining innovation
c. To enhance the performance of the existing technology
*__d.__ Discontinuities with the existing technology

Type: multiple response question
Title: Chapter 02 Question 08
8) Fahey and Narayanan (1986) suggest a number of goals for an analysis of the general environment. These include: Please select all that apply.
Feedback: No method of analysing the environment can claim to predict the future. All that can be achieved is an awareness of the environment and a readiness to change.
A-head reference: 2.2.1 Scanning the Environment
***a.** To understand current and potential environmental changes
*__b.__ To provide useful information for decision makers
*__c.__ To foster a culture of strategic thinking from being aware of the environment
d. To predict the future so that the organization can pre-empt the changes

Type: true-false
Title: Chapter 02 Question 09
9) Organizations must be diligent in continually scanning the macro-environment for weak signals.
Feedback: Weak signals are minor changes in the external environment that an organization might fail to identify; however, the weak signals will affect the organizational competitive advantage when these coalesced into a discernible pattern.
A-head reference: 2.2.1 Scanning the Environment
*__a.__ True
b. False

Type: true-false
Title: Chapter 02 Question 10
10) British Petroleum famously used scenario planning to predict the impact of OPEC on the oil industry.
Feedback: Correct. It was Royal Dutch Shell who famously used scenario planning as an alternative to forecasting. They have used scenario planning since the 1970s.
A-head reference: 2.2.3 Forecasting Changes in the Environment
a. True
*__b.__ False

Type: fill-in-blank
Title: Chapter 02 Question 11
11) The oil multinational Royal Dutch Shell uses the technique of _______________ to help it generate strategic options.
Feedback: Scenario planning has been used by Shell since the 1970s to help it generate and evaluate its strategic options in the uncertain oil industry
A-head reference: 2.4 Scenario Planning
a. scenario planning

Type: multiple choice question
Title: Chapter 02 Question 12
12) Van Der Heijden (1996) identifies three main types of uncertainty. The least uncertain category is:
***a.** Risks
Feedback: Yes, risks are the least uncertain because future probabilities can be based on past performance of similar events.
A-head reference: 2.3.7 Limitations of PASTEL analysis
b. Structural uncertainties
Feedback: No, these are events that could not have been easily predicted because there was no prior experience on which to base predictions.
A-head reference: 2.3.7 Limitations of PASTEL analysis
c. Unknowables
Feedback: No, these are events that cannot even be imagined.
A-head reference: 2.3.7 Limitations of PASTEL analysis
d. Weak signals
Feedback: No, this is not in Kees van der Heijden's scheme.
A-head reference: 2.3.7 Limitations of PASTEL analysis

Type: multiple response question
Title: Chapter 02 Question 13
13) Scenario planning is most effective when the imagined scenarios are: Please select all that apply.
Feedback: Scenario planning tries to recognize the 'weak signals' in the environment rather than what is most obvious.
A-head reference: 2.4 Scenario Planning
a. The most likely outcome
***b.** Plausible
***c.** Beyond the most likely outcome
***d.** Challenging

Type: fill-in-blank
Title: Chapter 02 Question 14
14) Gladwell (2000) came up with the idea of the ____________________ to explain how seemingly small events can have profound impacts on the environment.
Feedback: The tipping point is an unexpected and unpredictable event that has a major impact on an organization's environment.
A-head reference: 2.4 Scenario Planning
a. Tipping point

Type: fill-in-blank
Title: Chapter 02 Question 15
15) Barely perceptible changes in the environment whose impact has yet to be felt are known as ____________.
Feedback: Weak signals are difficult to spot but can profoundly effects on an industry.
A-head reference: 2.2.1 Scanning the Environment
a. Weak signals

Type: multiple response question
Title: Chapter 02 Question 16

16) Scenario planning helps to overcome many of the shortcomings of traditional decision-making methods because: Please select all that apply.
Feedback: The shortcomings of tradition decision making methods include decisions made under stable and certain conditions, and under perfect reasoning of human beings, none of which in most of cases is the reality.
A-head reference: 2.4 Scenario Planning
*__a.__ It is an approach to decision-making under dynamic conditions.
*__b.__ It allows us to overcome some of the biases and imperfect reasoning of human beings.
c. The organization is more likely to make a certain decision.
*__d.__ The organization is more likely to be prepared for possible futures.

Type: multiple choice question
Title: Chapter 02 Question 17
17) Which of the following factors is the most 'knowable' in terms of predicting the future?
a. Future oil prices
Feedback: No, oil prices are difficult to predict because of the global economy and political influences.
A-head reference: 2.4.1 How to Build Scenarios
b. Interest rates
Feedback: No, economic indicators are difficult to predict because they are part of a global web of economic factors.
A-head reference: 2.4.1 How to Build Scenarios
*__c.__ The population profile of the country
Feedback: Yes, demographic indicators are fairly stable.
A-head reference: 2.4.1 How to Build Scenarios
d. Outcomes of political elections
Feedback: No, elections are not easy to predict because public opinion can quickly change direction.
A-head reference: 2.4.1 How to Build Scenarios

Type: multiple response question
Title: Chapter 02 Question 18
18) In a process of building scenarios, to define the scope consists of: please select all that apply
Feedback: To build scenarios, defining the scope is the start-up process, and it involves setting the time frame and the scope of analysis. This is then followed by identifying the major stakeholders and other further processing.
A-head reference: 2.4.1 How to Build Scenarios
***a.** Setting the time frame.
b. Identifying the major stakeholders.
*__c.__ Setting the scope of analysis.
d. Identifying key uncertainties.

Type: true-false
Title: Chapter 02 Question 19
19) Scenario planning is a useful tool for predicting the future.
Feedback: Scenario planning cannot predict the future, but it puts the organization in a better position to deal with different possibilities. The organization is less likely to be completely taken by surprise.
A-head reference: 2.4.1 How to Build Scenarios
a. True
*__b.__ False

Type: true-false
Title: Chapter 02 Question 20
20) Each scenario describes an equilibrium state that can exist forever.
Feedback: Each scenario covers a considerable period of time on a particular theme.
A-head reference: 43
a. True

***b.** False

Type: multiple choice question
Title: Chapter 02 Question 21
21) A PESTLE analysis is used to analyse:
***a.** The macro-environment.
Feedback: This is the general environment in which the organization finds itself. It needs to consider how the macro-environment will affect customers, suppliers, and costs.
A-head reference: 2.3 PESTLE Analysis
b. Internal resources.
Feedback: No, although the PESTLE analysis will give some indication about internal costs.
A-head reference: 2.3 PESTLE Analysis
c. Industry structure.
Feedback: No, this can be done using Porter's Five Forces although the PESTLE analysis will give some indication as to supplier and buyer power.
A-head reference: 2.3 PESTLE Analysis
d. Strategic groups.
Feedback: No, this can be done using strategic group analysis.
A-head reference: 2.3 PESTLE Analysis

Type: multiple choice question
Title: Chapter 02 Question 22
22) Consumers are less tolerant of poor quality than they used to be. This is an example of:
***a.** A macro-environmental issue
Feedback: Yes, this is a social issue of PESTLE.
A-head reference: 2.3 PESTLE Analysis
b. A value-chain issue.
Feedback: No, only indirectly. The value-chain would need to be designed in a way that ensures good quality.
A-head reference: 2.3 PESTLE Analysis
c. An economic issue.
Feedback: No, it is social, macro-environmental issue.
A-head reference: 2.3 PESTLE Analysis
d. A knowledge management issue.
Feedback: No, only indirectly. Successful knowledge management might allow faster resolution of quality issues and better prevention of quality failures.
A-head reference: 2.3 PESTLE Analysis

Type: multiple response question
Title: Chapter 02 Question 23
23) In the PESTLE analysis, key economic indicators could include: Please select all that apply.
Feedback: The PESTLE analysis is merely an organizing tool for the selection of environmental signals. Although population statistics are strictly a social factor, and legislation a political factor, it doesn't really matter where the issues are placed. It should also be noted that many of the issues are interrelated.
A-head reference: 2.3.2 Economic Factors
***a.** Interest rates.
b. Population statistics.
***c.** Unemployment rates.
d. European Union legislation.

Type: fill-in-blank
Title: Chapter 02 Question 24
24) Firms need to be scanning their ________ for sign of change in government policy which may impact their industry.
Feedback: Macro-environment analysis includes the analysis of political factors which might have potential impact on businesses in the future.
A-head reference: 2.3.1 Political factors

a. Macro-environment

Type: true-false
Title: Chapter 02 Question 25
25) An economic indicator can never provide an explanation for a complete economic phenomenon.
Feedback: One economic indicator might be able to explain to some extent part of a complex economic phenomenon.
A-head reference: 2.3.2 Economic Factors
***a.** True
b. False

Type: multiple response question
Title: Chapter 02 Question 26
26) The changes in economic activity manifest themselves through changes in: Please select all that apply.
Feedback: Macro-economic indicators include unemployment, exchange rate, interest rate, GDP, and CPI. Changes in tax rates reflect the political aspect of the micro-environment.
A-head reference: 2.3.2 Economic Factors
***a.** Exchange rate.
***b.** Unemployment rates.
***c.** Disposable income.
d. Tax rate.

Type: multiple response question
Title: Chapter 02 Question 27
27) The sign of depreciation in exchange rate will mostly affect: Please select all that apply.
Feedback: The effect power of different economic indicators will vary on different aspects of an economy. Change of exchange rate will most affect economic activities associated with international business, e.g. export and import, or outsourcing manufacturing.
A-head reference: 2.3.2 Economic Factors
***a.** Manufacturing organizations.
b. Construction industry.
***c.** International trade.
d. All industries.

Type: multiple choice question
Title: Chapter 02 Question 28
28) Retail organizations in Europe and the US have responded to the aging society by employing older personnel. This change in businesses is due to: Please select all that apply.
Feedback: Social factors include changes in demographic and culture.
A-head reference: 2.3.3 Social factors
a. Legal factors.
b. Economic factors.
c. Political factors.
***d.** Social factors.

Type: multiple response question
Title: Chapter 02 Question 29
29) The increasing use of the internet to buy goods is which type of PESTLE issue? Please select all that apply.
Feedback: The development of the internet is a technological issue. The increased use of the internet is a social trend.
A-head reference: 2.3.4 Technological factors
***a.** Social
b. Economic
c. Political
***d.** Technological

Type: true-false
Title: Chapter 02 Question 30
30) SWOT analysis may be used in both the macro-environment and at the industry level
Feedback: SWOT analysis refers to strengths, weakness, opportunities, and threats, where opportunities and threats manifest themselves in the organization's external environment; strengths and weakness are areas in which the organization has a competitive advantage in comparison with its competitors.
A-head reference: 2.5 An Introduction to SWOT Analysis
*__a.__ True
b. False