
Corporate strategy quiz 2

2023-02-14

20 points

45 minutes

Student name: _____

Please read each question carefully before answering.

Indicate the answer you believe to be correct for each question.

Only one answer/alternative is correct for each question. No negatives will be incurred for answering incorrectly.

Best of luck!

1) Jill is the CEO of Note's Etc, a stationary manufacturer. She decides to open up a retail store to sell her products directly to consumers instead of just selling to retailers. In order to do this, Jill will need to engage in _____, which is a corporate level, strategy.

A) forward vertical integration

B) backward vertical integration

C) horizontal integration

D) differentiation

2) The vast majority of innovations in an industry are _____, because they build on a firm's existing knowledge base and reinforce the existing organizational structure and network relationships.

A) disruptive

B) architectural

C) radical

D) incremental

3) Billy is the CEO of Billy's Kicks, a soccer ball retailer. He decides to purchase the synthetic rubber manufacturing firm so he can create his own soccer balls and sell them, nationally, in his retail stores. In order to do this, Billy will need to engage in _____, which is a corporate level strategy.

A) forward vertical integration

B) backward vertical integration

C) horizontal integration

D) differentiation

4) Initech Inc. developed a superior touch screen technology for tablet computers that enabled multiple users to operate the screen at the same time. Accent Technologies, a consumer electronics company, was allowed to use this technology for five years. Which of the following alternatives to integration does this best illustrate?

A) licensing

B) franchising

C) crowdsourcing

D) bootlegging

5) Amazon.com has decided to enter the college bookstore market. The goal of “Amazon Campus” is to offer co-branded university-specific web sites that offer textbooks and paraphernalia, such as logo sweaters and baseball hats. This development shows Amazon’s relentless pursuit of

A) geographic diversification.

B) product diversification.

C) vertical integration.

D) horizontal integration.

6) Firms that consider international expansion will often examine absolute metrics on which countries to pursue investments in but also consider relative distance. To help firms decide where to compete, the _____ was developed to help firms make this decision.

A) MNE decision making model

B) polycentric strategic framework

C) CAGE distance framework

D) Porter’s Diamond framework

7) There are two stages in evolutionary development of a given branch of science; the pre-paradigmatic and the paradigmatic stage.

A) True

B) False

8) The theory of comparative advantage is concerned with:

A) The sources of real income differentials among countries

B) The impact of resource availability on national competitiveness in particular industries

C) The competitive advantages of low-wage countries

D) The determinants of purchasing power parity (PPP) exchange rates between countries

9) The key difference between economies of scale and economies of scope:

A) Economies of scale relate to manufacturing activities; economies of scope relate to a wide range of functions

B) Economies of scale relate to expanding the output of a single product; economies of scope relate to expansion across multiple products

C) There is no practical difference

D) Scale economies are relevant to business strategy; economies of scope to corporate strategy.

10) The main reason that the producers of wood pulp have often forward integrated into the production of paper is:

A) To increase value added by moving closer to the final customer

B) To exploit technical economies of co-locating pulp and paper making plants while avoiding transaction costs caused by transaction-specific investments

C) To reduce inventories and improve quality

D) To insulate the firm from fluctuations in the price of wood pulp.

11) The cost-of-entry test for evaluating whether diversification into a particular industry is likely to build shareholder value involves determining whether

A) a newly entered business presents opportunities to cost-efficiently transfer competitively valuable skills or technology from one business to another.

B) the cost to enter the target industry will strain the company's credit rating.

C) a company's costs to enter the target industry are so high that the potentials for good profitability and return on investment erode.

D) the cost to enter the target industry will raise or lower the company's total profits.

E) the cost a company incurs to enter the target industry will raise or lower production costs.

12) Diversification decisions by firms involve the following key issues:

A) The attractiveness of the industry to be entered and the potential for competitive advantage

B) The potential for the diversification to increase growth and reduce risk

C) The opportunities for exploiting economies of scope in resources and capabilities

D) The benefits of synergy relative to the costs or coordination.

13) Acquisition is the preferred mode of diversification for most firms because:

A) For companies with high price/earnings ratios, acquiring companies in other sectors that have low price/earnings ratios offers an attractive means of boosting market capitalization

B) Empirical research shows that diversifying acquisitions typically create significant value for the acquiring firm

C) The alternative of acquiring a minority stake does not give the diversifying firms significant decision-making influence over the target firm

D) The alternative of setting up a new enterprise in the industry to be entered is slow and risky.

14) The main difference between two businesses being strategically related rather than operationally related is:

A) Strategic relatedness involves the application of common general management systems and capabilities to the two businesses; operational relatedness involves the sharing of resources

B) Strategic related is about corporate-level synergies; operational relatedness involves business-level synergies

C) Operational relatedness requires a multidivisional structure; for strategic relatedness, a holding company structure sufficed

D) Operational relatedness requires that the different products share production plants and distribution systems; strategic relatedness does not.

15) One strategic fit-based approach to related diversification would be to

A) acquire rival firms that have broader product lines so as to give the company access to a wider range of buyer groups.

B) acquire companies in forward distribution channels (wholesalers and/or retailers).

C) expand into foreign markets where the firm currently does no business.

D) diversify into new industries that present opportunities to transfer specialized expertise, technological know-how, or other valuable resources and capabilities from one business's value chain to another's.

E) diversify into foreign markets where the firm has unrelated businesses.

16) The concept of “parenting advantage” is best summarized by the following statement:

A) Corporate managers should emulate the role and skills of good parents in disciplining their children

B) The primary criterion for a company’s continued ownership of a business is its ability to add more value than any alternative corporate parent

C) The primary role of corporate management is to coach business management

D) The ultimate measure of success for a multibusiness company is to develop successful new businesses

17) According to Teece (1986), what are the two, main mechanism of protecting innovations?

A) Trade secrets and patents.

B) Causal ambiguity and copyright.

C) Utility models and design rights.

18) Which of the following factors is not conducive to vertical integration between two adjacent stages of production?

A) Similarity of the optimum scale of production between the two stages

B) Few companies at each of the two stages

C) The need for transaction-specific investments by the firms involved

D) Distinctly different organizational capabilities are required at each stage

19) Porter’s “three essential tests” help to determine:

A) The likely impact of diversification upon risk

B) The potential for diversification to create shareholder value through boosting profitability

C) The impact of diversification on stakeholders

D) How the financial markets would react to a diversification.

20) Mergers and acquisitions are attractive to the managers who instigate them because of the speed with which they can affect strategic changes rather than their proven financial benefits.

A) True

B) False

NAME: _____

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