

# BUSINESS POLICY

This test focuses on how top management crafts and implements strategy as the means for achieving business success. The student is expected to understand the role of strategic thinking and analysis to assess the firm's competitive environment and how these assessments are used to attain sustainable competitive advantage. The test will also cover how management assesses the internal strengths and weaknesses of the firm as well as the external opportunities and threats. (3 s.h.) BUS-421-TE

This is a **three-hour** examination that consists of:  
**30 multiple-choice** questions (worth 1 point each)  
**5 short answer** questions (worth 5 points each)  
**3 essays** (worth 15 points each)

The passing score is **60** out of 100 points.

## Here are the topics covered and their approximate importance on the test:

- I. INTRODUCTION AND OVERVIEW OF STRATEGY (10%)  
Key concepts: Mission, Vision, Crafting Strategy, Strategy as a Process
- II. CONCEPTS AND ANALYTICAL TOOLS (15%)  
Key concepts: Industry Structure, Competitive Forces, Company's Resources, Value Chain
- III. CRAFTING STRATEGY: THE SINGLE BUSINESS COMPANY (25%)  
Key Concepts: Generic Strategy, Strategic Choice, Industry Stage
- IV. CRAFTING STRATEGY: DIVERSIFIED COMPANIES AND GOING INTERNATIONAL (25%)  
Key Concepts: Diversification, Related vs. Unrelated Diversification, Strategies for Diversification, International Strategy
- V. EXECUTING THE STRATEGY (25%)  
Key Concepts: Core Competencies and Capabilities, Execution Techniques, Corporate Culture, Ethics

## A textbook to help you prepare:

We recommend that you focus on the text more than the cases. Concentrate on the major topics, using the outline above as an integrating guide. In addition to textbook study, reading current business periodicals and watching business-based news programs will provide you with the knowledge of how management copes with current issues, given the constant change in business conditions.

*Crafting and Executing Strategy: The Quest for Competitive Advantage, Concepts and Cases.*  
Arthur A. Thompson Jr., A. J. Strickland III, John E. Gamble.  
Current edition. Boston: McGraw-Hill/Irwin.

## SAMPLE QUESTIONS

### Multiple-Choice

1. How is strategic planning often distinguished from operational planning?
  - a. By the organizational vs. functional focus
  - b. By the number of executives involved in the process
  - c. By the complexity of the planning forms
  - d. By the use of outside consultants
  
2. Which of the following environmental forces falls into the macroenvironment?
  - a. Competitive
  - b. Supplier
  - c. Economic
  - d. Regulatory
  
3. What is the primary function of a mission statement?
  - a. To set profit objectives
  - b. To describe current strategy
  - c. To communicate a business purpose
  - d. To set priorities for the upcoming year
  
4. SWOT stands for
  - a. strengths, weaknesses, opportunity, threats
  - b. strengths, weaknesses, objectives, theory
  - c. strategy, workforce, opportunity, threats
  - d. strategy, workforce, objectives, theory
  
5. A firm that is living on its past laurels will probably have a culture that is
  - a. politicized and differentiated
  - b. change-resistant
  - c. greed-driven
  - d. insular and inwardly focused
  
6. What generic strategy is seen as a recipe for mediocrity?
  - a. Low cost, low quality
  - b. Being all things to all people
  - c. Broad differentiation
  - d. Focusing on the bottom line.
  
7. What is a major benefit of having a global strategy?
  - a. Economy of scale
  - b. Providing customized products
  - c. Flexibility in planning
  - d. Ability to develop profitable niche markets
  
8. A fragmented industry
  - a. emphasizes economy of scale
  - b. emphasizes large capital requirements
  - c. has many different product lines
  - d. has an absence of market leaders

9. Which force below would be considered part of the immediate environment?
  - a. Economy
  - b. Product substitutions
  - c. Regulation
  - d. Societal values
  
10. Who benefits when the currency grows weaker in the location where products are manufactured ?
  - a. Rivals
  - b. Exporters
  - c. Customers
  - d. Suppliers

Partial credit will be awarded for the short answers and the essays.

### **Short Answer**

11. Provide 3 reasons why firms have moved away from unrelated, conglomerate type diversification.
12. Identify 3 strategy options a firm can use when expanding internationally.

### **Essay**

The three essays will test your knowledge of the concepts and issues involved in managing and strategizing for an organization. While the content of your essays is more important than their length, you will be expected to provide complete answers.

13.
  - A. Identify and describe the 5 generic competitive strategies.
  - B. What does it mean to be stuck-in-the-middle?

## ANSWERS TO SAMPLE QUESTIONS

### Multiple-Choice

1. a 2. c 3. c 4. a 5. d 6. b 7. a 8. d 9. b 10. b

### Short Answer

11. (1) Because of their lack of knowledge about acquired businesses.  
(2) Because it adds costs and there is little sharing between divisions.  
(3) Because stockholders can diversify on their own.
12. (1) Export from the home base.  
(2) License to established businesses in the target market.  
(3) Franchises that set up turnkey operations for foreign partners.

### Essay

13. A. (1) Low cost provider:  
This offers operations and/or scale advantages over the competition.
- (2) Broad differentiation:  
This creates positive differences between your product and the rival's, impacting the total market.
- (3) Best cost provider:  
This creates a positive value proposition vs. the rival's.
- (4) Focused low costs:  
This targets the market segment through price advantage.
- (5) Focused differentiation:  
This tailors a superior product to a targeted segment.
- B. Being stuck-in-the-middle occurs when a company does not identify or achieve one of the generic strategies. Compromise strategies usually do not produce either a competitive advantage or a competitive position, and therefore limit the company's ability to achieve above-average profitability.