

Sample Exam Questions for Chapter 2
Elements of Strategy and Planning (Portfolio, SBU, Product market Combinations)

- 1) The benefits of a product or service must include all types of utility.
a) True*
b) False

- 2) Starbucks is known to have shops located across the street from each other. It appears that the coffee shop chain is offering place utility.
a) True*
b) False

- 3) Firms should not be concerned that satisfied customers will switch to another brand.
a) True
b) False*

- 4) A Star in the BCG portfolio model is one that has high profitability with profitability being measured as Return on Investment (ROI).
a) True*
b) False

- 5) In the BCG portfolio model a SBU characterized as having a high market growth and a high market share is predicted to have a return on investment and is classified as a star.
a) True*
b) False

- 6) The original purpose of the BCG model was to help senior executives of large corporations to allocate resources among strategic business units that make up the organization.
a) True*
b) False

- 7) According to the BCG matrix, a business that is classified as a *star* has high growth and low market share.
a) True
b) False*

8) Linda imports fine art paintings and photographs that she sells to hotels. When the dollar is weak against foreign currencies, she struggles to cover her costs. Business has increased 400% in the last five years. With additional resources, she believes she can expand into the profitable hospital and nursing home markets. According to the BGC matrix, Linda's business is a *dog*.

- a) True
- b) False *

9) A mission statement does not include a discussion of the firm's strategic vision.

- a) true
- b) False*

10) Market penetration strategies allow for the firm to invest additional resources to have existing customers consume new products.

- a) True
- b) False *

11) Market development strategies allow for the firm to introduce existing products to new customers, often including international markets.

- a) True *
- b) False

12) Mammoth Foods, a major agricultural corporation, recently purchased MJS Organic Foods Co. MJS was established six years ago and has become a major supplier to restaurants in the northeastern United States. The organic herbs, vegetables, and fruit market is expected to have a double-digit growth rate over the next decade. Most likely, MJS would be classified as a _____ under the Boston Consulting Group model.

- A. Star*
- B. Cash cow
- C. Dog
- D. Problem Child
- E. Top Gun

13) Lately the demand for building materials has dropped due to the slow down in new housing construction. Wood-O Corp. is thinking of closing its fine wood division that produces mahogany and cherry lumber for building cabinets and other applications. Most likely the fine wood division would be classified as a _____.

- A. Star
- B. Cash cow
- C. Dog
- D. Problem Child *
- E. Top Gun

14) _____ is not considered an adequately defined objective objective.

- A. To improve customer satisfaction ratings to 95%
- B. To increase ROI by 20%
- C. To be the leader in our field *
- D. To reduce cost of scrap material to less than 1% of total manufacturing cost
- E. To get five new distributors

15) A strategic business unit (SBU) is one which can be visualized as:

- A. having a distinct mission.
- B. having its own competition.
- C. controlling its own resources.
- D. being planned independently of the other businesses.
- E. all of the above *

16) High growth, high share businesses or products appear in the Boston consulting group growth-share matrix as:

- A dogs.
- B cash cows.
- C question marks.
- D stars.*
- E buckets

17) XYZ Corp is attempting to generate additional sales of its present products by promoting them more aggressively to its present customers. XYZ Corp is engaging in:

- A diversification.
- B market penetration.*
- C market development.
- D product development.
- E both (A) and (D)

18) Which of the following would be a mistake in dealing with a portfolio of SBUs:

- A requiring each SBU to produce the same rate of return.
- B insufficient milking of cash cows.
- C continually reinvesting in dogs.
- D maintaining too many question marks.
- E all of the choices listed above are mistakes.*

19) ABC Corp is attempting to generate additional sales of its present products by promoting them more to new types of customers. XYZ Corp is engaging in:

- A diversification.
- B market penetration.
- C market development.*
- D product development.
- E both (A) and (D)

- 20) The collection of businesses and SBU's that make up the company comprise its:
- A business portfolio.*
 - B business plan.
 - C strategic plan.
 - D planning portfolio.
 - E financial portfolio.