

IIA-CIA-PART4^{Q&As}

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QUESTION 1

The competitive factor that may lead to overbuilding in an industry is:

- A. The need of large customers to know that capacity exists to meet their long-term requirements.
- B. A significant first mover advantage.
- C. The advantage held by the capacity leader.
- D. The existence of high entry barriers.

Correct Answer: B

First mover advantages may be significant. Thus, shorter lead times for ordering equipment, lower costs, and the ability to exploit an excess of demand over supply may encourage too many firms to expand.

QUESTION 2

A company sells a diverse line of cookies. Its acquisition of another company, a maker of cake mixes, is most likely an example of

- A. Vertical integration.
- B. Horizontal diversification.
- C. Concentric diversification.
- D. Conglomerate diversification.

Correct Answer: B

Horizontal diversification is the acquisition of businesses making products unrelated to current offerings but that might appeal to the firm's current customers. Cookies and cake mixes are based on different technologies but may be demanded by the same customers.

QUESTION 3

Which of the following is key to any plan to empower teams?

- A. Give structure to team members.
- B. Monitor progress and offer timely feedback on performance.
- C. Reduce authority of the team when mistakes are made.
- D. Avoid tension and conflict within the team.

Correct Answer: B

Members of a team are empowered when they are properly trained and equipped, have the relevant information they

need, are fully involved in decision making, and receive fair compensation for their work. Monitoring and feedback are keys to maintaining empowerment because they are necessary to team effectiveness. Team effectiveness is reflected in achievement of objectives, innovation, adaptability, commitment, and favorable evaluations by senior management.

QUESTION 4

General Electric (GE) portfolio model for competitive analysis of strategic business units (SBUs) is presented in a matrix format. This matrix

- A. Has four quadrants.
- B. Shows SBUs as circles directly proportional to their business strength.
- C. Classifies its cells into nine zones.
- D. Classifies each variable in one of three categories.

Correct Answer: D

The GE model is a multifactor portfolio matrix with two variables. Business strength or competitive position (BUS) is on one axis, and market attractiveness (MAT) is on the other. BUS is classified as strong, medium, or weak, and MAT is classified as high, medium, or low. Thus, the matrix in this model is 3 x 3 and has nine cells.

QUESTION 5

Which of the following is an effective active listening technique?

- I. Summarizing.
 - II. Clarifying.
 - III. Evaluating.
 - IV. Empathizing
- A.
 - B. I and IV only.
 - C. II and III only.
 - D. I, II, and IV only.
 - E. I, II, III, and IV.

Correct Answer: C

Summarizing brings the discussion into focus and clarifies priorities. Clarifying content or process helps others explore the problem and make their ideas more concrete. Empathizing shows that the listener understands how the other person feels and encourages him/her to express feelings. However, evaluating may curtail the presentation of views and lead another person to believe that the listener's mind is already made up.

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