

Business Administration
Vrije Universiteit
Faculty of Economics and Business Administration

Exam:

Business Administration in the Service Industry

Version A

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October 27, 2006
12.00 – 14.00 hrs

- The duration of the exam is 2 hours;
- This exam consists of 60 multiple choice questions;
- Grades will be announced on Friday November 10, 2006;
- The exam may be reviewed on Tuesday November 14, 2006 from 11.00 – 11.45 hrs, number of the room will be announced later.

1. Which of the following statements is/are correct?
 - I. A service firm cannot provide services to both the private market and the business market.
 - II. Services can be provided by both profit and non profit firms.
 - A. Statement I and statement II are false
 - B. Statement I is false and statement II is correct
 - C. Statement I is correct and statement II is false
 - D. Statement I and II are correct.
2. Which of the following statements is/are correct?
 - I. External stakeholders are more important than internal stakeholders.
 - II. Stakeholders are both interested in the organization and able to influence it.
 - A. Statement I and statement II are false
 - B. Statement I is false and statement II is correct
 - C. Statement I is correct and statement II is false
 - D. Statement I and II are correct.
3. Supportive stakeholders have a
 - A. High potential for threat to the organization and a high potential for co-operation with the organization.
 - B. Low potential for threat to the organization and a low potential for co-operation with the organization.
 - C. High potential for threat to the organization and a low potential for co-operation with the organization.
 - D. Low potential for threat to the organization and a high potential for co-operation with the organization.
4. Which of the following firms is a professional service firm?
 - A. NS (Dutch Railways)
 - B. Artis Zoo
 - C. Amstel Hotel
 - D. McKinsey
5. The most effective management strategy in the case of marginal stakeholders is
 - A. Collaboration
 - B. Monitoring
 - C. Defense
 - D. Involvement
6. Which are characteristics of mass services?
 - A. low contact time, low discretion, high customization
 - B. high contact time, high discretion, low customization
 - C. high contact time, high discretion, high customization
 - D. low contact time, low discretion, low customization
7. When a stakeholder controls key resources (needed by the organization), its potential for threat
 - A. increases
 - B. decreases
 - C. either increases or decreases
 - D. neither increases nor decreases

8. Which of the following statements is/are correct?
- I. Services can be defined as 'the organization of a solution to a problem, which does not principally involve supplying a good'.
 - II. The output of services has a process character.
- A. Statement I and statement II are false
 - B. Statement I is false and statement II is correct
 - C. Statement I is correct and statement II is false
 - D. Statement I and II are correct.
9. Which of the following is –according to Van Looy *et al.* (2003)- **NOT** a distinctive service characteristic?
- A. Intangibility
 - B. Simultaneity
 - C. Responsiveness
 - D. Heterogeneity
10. Which of the following statements is/are correct?
- I. Experience qualities and search qualities dominate credence qualities in the choice of services.
 - II. The heterogeneity of services implies that managing service quality is quite problematic.
- A. Statement I and statement II are false
 - B. Statement I is false and statement II is correct
 - C. Statement I is correct and statement II is false
 - D. Statement I and II are correct.
11. Which of the following statements is/are correct?
- I. Maintenance interactive services are standardized services.
 - II. Providing therapy is an example of providing personal interactive services.
- A. Statement I and statement II are false
 - B. Statement I is false and statement II is correct
 - C. Statement I is correct and statement II is false
 - D. Statement I and II are correct.
12. Which of the following statements is/are correct?
- I. Servitization of the industrial sector means that the borders between manufacturing firms and service firms become blurred.
 - II. Adding intangible elements to a manufacturing firm's offering hinders successful imitation attempts by competitors.
- A. Statement I and statement II are false
 - B. Statement I is false and statement II is correct
 - C. Statement I is correct and statement II is false
 - D. Statement I and II are correct.
13. Which of the following statements is/are correct?
- I. The importance ascribed by customers to 'life-cycle cost' slows down the servitization process.
 - II. Applying servitization at the firm-level effectively requires setting up a customer information system.
- A. Statement I and statement II are false
 - B. Statement I is false and statement II is correct
 - C. Statement I is correct and statement II is false
 - D. Statement I and II are correct.

14. Which of the following statements is/are correct?
- I. Customer satisfaction is a sufficient condition for customer loyalty.
 - II. Customer loyalty is a necessary and sufficient condition for customer satisfaction.
- A. Statement I and statement II are false
 - B. Statement I is false and statement II is correct
 - C. Statement I is correct and statement II is false
 - D. Statement I and II are correct.
15. The service profit chain contains the following factors:
- A. customer satisfaction-customer loyalty-employee quality-employee flexibility
 - B. employee satisfaction-employee turnover-employee loyalty-customer loyalty
 - C. employee satisfaction-employee productivity-value of external service-customer satisfaction.
 - D. customer satisfaction-customer loyalty-quality of the service delivery system-value of the internal service
16. Which of the following statements is/are correct?
- I. A customer having a positive attitude towards its supplier is a loyal customer.
 - II. The word-of-mouth effect is a possible source of a service firm's decreasing profitability.
- A. Statement I and statement II are false
 - B. Statement I is false and statement II is correct
 - C. Statement I is correct and statement II is false
 - D. Statement I and II are correct.
17. The value spectrum model emphasizes the importance of the relationship between
- A. value potential and customer satisfaction
 - B. customer loyalty and employee retention
 - C. value potential and customer loyalty
 - D. neither A nor B nor C.
18. Which of the following statements is **NOT** correct? Communication efforts have...
- A. cognitive effects
 - B. affective effects
 - C. promotional effects
 - D. behavioural effects
19. There is a logical sequence between pricing strategy, pricing tactics, pricing structure and pricing objectives. Which of the following answers describes this logic best?
- A. pricing strategy→pricing tactics→pricing objectives→pricing structure.
 - B. pricing objectives→pricing structure→pricing strategy→pricing tactics.
 - C. pricing objectives→pricing strategy→pricing structure→pricing tactics.
 - D. pricing strategy→pricing objectives→pricing structure→pricing tactics.
20. Which of the following alternatives is correct?
- A. Cost based pricing strategies require an estimation of the units likely to be sold by competitors.
 - B. Cost based pricing strategies assume that the cost of providing a service or product has nothing to do with the value of the product or service.
 - C. Cost based pricing strategies have an entirely internal focus and do not in any way take market considerations into account.
 - D. Neither A nor B nor C.

21. Pricing of train tickets in the Netherlands is predominantly **NOT** a consequence of:
- A. Competition based pricing
 - B. Customer based pricing
 - C. Cost based pricing
 - D. Neither A nor B nor C.
22. Which of the following statements is/are correct?
- I Experience-curve pricing is an example of a cost based pricing strategy.
 - II Elements of a service firm's servicescape are extrinsic attributes of the service delivered to its customers.
- A. Statement I and statement II are false
 - B. Statement I is false and statement II is correct
 - C. Statement I is correct and statement II is false
 - D. Statement I and II are correct.
23. Which of the following statements is/are correct?
- I Customers' value potential should be an important input for allocating the budget for relationship marketing.
 - II Customers who compare offers of different service firms take characteristics of the service and the price-level into account.
- A. Statement I and statement II are false
 - B. Statement I is false and statement II is correct
 - C. Statement I is correct and statement II is false
 - D. Statement I and II are correct.
24. Which of the following alternatives contains the process typology as proposed by Peppard and Rowland?
- A. Business processes-Strategic processes-Operational processes
 - B. Strategic processes-Operational processes-Enabling processes
 - C. Strategic processes-Business processes-Primary processes
 - D. Strategic processes-Operational processes-Primary processes
25. Which of the following processes is **NOT** an example of a business process?
- A. Arranging an internal meeting.
 - B. Producing cakes.
 - C. Driving a taxi.
 - D. Giving a concert.
26. *Renting out beamers* to lecturers by the Audio Visual Center of the Vrije Universiteit can be regarded as one of the Vrije Universiteit's
- A. Strategic processes
 - B. Operational processes
 - C. Enabling processes
 - D. Neither A nor B, nor C
27. Which of the following statements is/are correct?
- I Applying the 'ESIA-framework' (Eliminate, Simplify, Integrate, Automate) is part of the clean sheet redesign approach.
 - II In service firms the clean sheet approach should be preferred to the systematic redesign approach.
- A. Statement I and statement II are false
 - B. Statement I is false and statement II is correct
 - C. Statement I is correct and statement II is false
 - D. Statement I and II are correct.

28. Peppard and Rowland distinguish and define four types of IT applications. Which of the following types is not in their list?
- A. Supporting
 - B. Key operational
 - C. Enabling
 - D. Strategic
29. Which of the following statements is/are correct?
- I IT is an important enabler of Business Process Redesign.
 - II The analysis of business processes requires the involvement of both employees and customers.
- A. Statement I and statement II are false
 - B. Statement I is false and statement II is correct
 - C. Statement I is correct and statement II is false
 - D. Statement I and II are correct.
30. The framework for approaching a BPR programme proposed by Peppard and Rowland consists of five key phases? Which of the following alternatives describes these key phases best?
- A. Create the environment-Adopt new technology-Analyze, diagnose and redesign processes-Realize strategy-Pilot and roll-out.
 - B. Create the environment-Analyze, diagnose and redesign processes-Restructure the organization-Pilot and roll-out-Realize strategy.
 - C. Define the strategy-Create environment-Analyze, diagnose and redesign processes-Adopt new technology-Pilot and roll-out.
 - D. Define the strategy-Create environment-Restructure the organization-Adopt new technology-Analyze, diagnose and redesign processes.
31. Which of the following patterns is the general reaction pattern to change?
- A. unaware→shock→denial→searching→acceptance-action
 - B. unaware→shock→denial→acceptance→searching→action
 - C. shock→unaware→denial→searching→action→acceptance
 - D. shock→unaware→denial→searching→acceptance→action
32. The concept of the 'satisfaction mirror' is about the relationship between
- A. Employee satisfaction and customer satisfaction
 - B. Employee satisfaction and employee retention
 - C. Customer satisfaction and customer retention
 - D. Neither A, nor B, nor C
33. What makes 'collaboration' an important element in HR-practices for services?
- A. Employees and managers in services must collaborate simultaneously
 - B. Services are intangible, which only can be handled with more than one person
 - C. Unforeseen incidents due to heterogeneity require support from service colleagues
 - D. Due to the perishability of services customers and employees must collaborate

34. Which of the following statements is/are correct?
- I In the Michigan model for HRM people are seen as resources to be managed.
 - II In the Harvard model not only employees but also other stakeholders are recognized.
- A. Statement I and statement II are false
 - B. Statement I is false and statement II is correct
 - C. Statement I is correct and statement II is false
 - D. Statement I and II are correct.
35. In the case of the Special Olympics World Summer Games 2003, a large number of volunteers is recruited. Which of the following statements is/are correct?
- I Volunteer satisfaction is directly related to satisfaction of the participants in the Games.
 - II For volunteers, selection and training is not important; anyone who wishes to volunteer is immediately admitted and put to work.
- A. Statement I and statement II are false
 - B. Statement I is false and statement II is correct
 - C. Statement I is correct and statement II is false
 - D. Statement I and II are correct.
36. A competency profile for a specific function shows
- A. The competencies which are relevant for this function
 - B. For each competency the required level
 - C. Both A and B
 - D. Neither A nor B
37. Which of the following statements is/are correct?
- I Personal characteristics are relatively important for employees in maintenance-interactive services.
 - II Politeness and friendliness are technical competencies.
- A. Statement I and statement II are false
 - B. Statement I is false and statement II is correct
 - C. Statement I is correct and statement II is false
 - D. Statement I and II are correct.
38. In the case of Ryanair crew members may earn total remuneration in excess of industry norms by maximizing their flying hours within regulation limits. Cabin crew may earn commission for paid service on board. Which of the following statements is/are correct?
- I Ryanair employees are empowered to a large extent.
 - II Ryanair cabin crew -in order to gain commission indeed- must possess specific sales competencies.
- A. Statement I and statement II are false
 - B. Statement I is false and statement II is correct
 - C. Statement I is correct and statement II is false
 - D. Statement I and II are correct.
39. Which of the following statements is/are correct?
- I Intangibility and simultaneity make capacity management in the manufacturing industries more complex than in the service industry.
 - II Capacity management in services often has to deal with both the supply side and the demand side.
- A. Statement I and statement II are false
 - B. Statement I is false and statement II is correct
 - C. Statement I is correct and statement II is false
 - D. Statement I and II are correct.

40. The cost of managing the availability of some demand item precisely may be higher than the cost of carrying an excess stock. In that case this item is best managed as
- A. Independent
 - B. Dependent
 - C. Pseudo-independent
 - D. Pseudo-dependent
41. Which set of factors influences the waiting experience of a customer twofold in a positive way?
- A. Being unoccupied and solo
 - B. Having an equitable wait and no personal control
 - C. Waiting for a valuable service and with an explained wait
 - D. Being in pre-process and in a group
42. In the case of NS (Dutch Railways) one or more ticket vending machines are installed at railway stations. During rush hours queues may become unacceptably long if there is only one machine installed. Also NS offers an off-peak tariff for discount pass holders. Which of the following statements is/are correct?
- I Adding one more vending machine (from one to two) will hardly reduce waiting time; only after adding one more machine (from two to three) waiting time will decrease substantially.
 - II The off-peak tariff is an example of managing the demand side.
- A. Statement I and statement II are false
 - B. Statement I is false and statement II is correct
 - C. Statement I is correct and statement II is false
 - D. Statement I and II are correct.
43. Which of the following answers is **NOT** a dimension of the latest SERVQUAL model?
- A. Tangibles
 - B. Empathy
 - C. Flexibility
 - D. Responsiveness
44. Dealing with complaints effectively is very important. Which of the following factors is **NOT** in the list of factors supporting a short response time?
- A. Empowering frontline staff
 - B. Routing complaints
 - C. Filing complaints
 - D. Prioritizing complaints
45. Which of the following statements is/are correct?
- I A service guarantee makes a customer a meaningful promise but does not specify the pay out to be paid out in cases of underperformance.
 - II Service performance is a joint responsibility of the supplier and the customer in case of a service level agreement (SLA).
- A. Statement I and statement II are false
 - B. Statement I is false and statement II is correct
 - C. Statement I is correct and statement II is false
 - D. Statement I and II are correct.

46. Which of the following statements is/are correct?
- I Service level agreements (SLA's) are used in both Business-to-Business and Business-to-Consumer relationships.
 - II The promise in SLA's is the result of a negotiation process.
- A. Statement I and statement II are false
 - B. Statement I is false and statement II is correct
 - C. Statement I is correct and statement II is false
 - D. Statement I and II are correct.
47. Which of the following statements is/are correct?
- I Facilities management is concerned with all the intangible aspects of the service delivery system.
 - II A facilities manager is concerned with the design of the servicescape.
- A. Statement I and statement II are false
 - B. Statement I is false and statement II is correct
 - C. Statement I is correct and statement II is false
 - D. Statement I and II are correct.
48. Which of the following statements is/are correct?
- I The design of back offices has to be made appealing to both the customer and the employees.
 - II A differentiation strategy is the most effective operations strategy for front offices.
- A. Statement I and statement II are false
 - B. Statement I is false and statement II is correct
 - C. Statement I is correct and statement II is false
 - D. Statement I and II are correct.
49. In the case of the Special Olympics Summer Games 2003 a small professional staff has to manage a large number of volunteer workers, who operate 65 sporting venues, accommodation venues and special events' venues all over the country. Which of the following statements is/are correct?
- I The central staff is designed as a back office, which means that its physical setting does not have to be made appealing to the participants of the Games.
 - II The Huff model is a useful tool to decide where the venues for the Games will be located.
- A. Statement I and statement II are false
 - B. Statement I is false and statement II is correct
 - C. Statement I is correct and statement II is false
 - D. Statement I and II are correct.
50. The optimal number of sites for a service firm depends on:
- A. Building costs, operation costs and sales costs.
 - B. Operation costs, sales costs and transportation costs.
 - C. Operation costs, building costs and transportation costs.
 - D. None of the above.
51. Which of the following statements is/are correct?
- I Both customers and employees perceive a servicescape holistically.
 - II Customers' response to a servicescape depends on customer characteristics.
- A. Statement I and statement II are false
 - B. Statement I is false and statement II is correct
 - C. Statement I is correct and statement II is false
 - D. Statement I and II are correct.

52. Early models of the innovation process are
- A. concurrent
 - B. flexible
 - C. linear
 - D. spiral
53. Which of the following statements is/are correct?
- I The supplier domination of innovation in services is a consequence of service characteristics.
 - II Knowledge Intensive Business Service firms provide services in innovation.
- A. Statement I and statement II are false
 - B. Statement I is false and statement II is correct
 - C. Statement I is correct and statement II is false
 - D. Statement I and II are correct.
54. Which of the following statements is/are correct?
- I Having a balanced innovation portfolio excludes doing research and advanced development.
 - II Breakthrough projects generate incremental process changes and new core products or services.
- A. Statement I and statement II are false
 - B. Statement I is false and statement II is correct
 - C. Statement I is correct and statement II is false
 - D. Statement I and II are correct.
55. The make-or-buy decision in innovation processes should be based primarily on
- A. Time-to-market distributions
 - B. Technology life cycles
 - C. Familiarity with technology or markets
 - D. Expected rewards
56. In the case of Dread Disease Illness Insurance an innovative insurance product is introduced in the UK. The new insurance entails a lot of change and necessary make-or-buy decisions for insurance companies. Which of the following statements is/are correct?
- I In the innovation portfolio the new insurance represents a relatively high degree of product change and a relatively low degree of process change.
 - II In deciding to sell the new insurance via direct sales forces, insurance companies make a 'buy'-decision.
- A. Statement I and statement II are false
 - B. Statement I is false and statement II is correct
 - C. Statement I is correct and statement II is false
 - D. Statement I and II are correct.
57. Which of the following statements is/are correct?
- I Customer involvement and supplier involvement are performance determinants of innovation projects.
 - II Senior management support hinders the success of an innovation project.
- A. Statement I and statement II are false
 - B. Statement I is false and statement II is correct
 - C. Statement I is correct and statement II is false
 - D. Statement I and II are correct.

58. Porter distinguishes three types of strategies. Which of the following strategies is **NOT** part of Porter's strategy typology?
- A. A cost leadership strategy
 - B. A discrimination strategy
 - C. A differentiation strategy
 - D. A focus strategy
59. In the case of the Body Shop the philosophy of its founder, ms. Anita Roddick, is that you can make money successfully and use that money for social change.
- Which of the following statements is/are correct?
- I The Body Shop safeguards its longevity by giving high priority to what it feels it is 'allowed' to do.
 - II In this case synergy is created between the added value of the tangible and the intangible component of its offering.
- A. Statement I and statement II are false
 - B. Statement I is false and statement II is correct
 - C. Statement I is correct and statement II is false
 - D. Statement I and II are correct.
60. What is **NOT** a threat of a service firm's sustainable competitive advantage?
- A. Imitation
 - B. Resource paralysis
 - C. Communication
 - D. Substitution