

Student name: \_\_\_\_\_

Discuss the pyramid of corporate social responsibility (CSR).

**Question Details**

AACSB : Analytical Thinking

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-04 Conduct a stakeholder impact analysis.

Topic : Corporate Social Responsibility and Sustainability

Source : Chapter 01 Test Bank > SA Qu. 105 Discuss the pyramid of corporate social resp...

Better Capsules is a highly successful vitamin manufacturer. At the close of its most recent fiscal year, the company's balance sheet showed cash holdings of \$110 million. Which of the following actions will provide the most benefit for stakeholders?

\_\_\_\_\_

Reinvest profits into expanding the company and creating more jobs.

Buy out the leading competitor to reduce competition and maintain price stability.

Reward the CEO with a significant bonus payment.

Save the excess cash as a precaution against black swan events.

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Apply

Difficulty : 2 Medium

Learning Objective : 01-03 Assess the relationship between stakeholder strategy and sustainable compe

Topic : Stakeholders and Stakeholder Analysis

Source : Chapter 01 Test Bank > MC Qu. 36 Better Capsules is a highly successful vitam...

\_\_\_\_\_ is best described as a set of goal-directed actions a firm takes to gain and sustain superior performance relative to competitors.

\_\_\_\_\_

Behavior modification

Strategy

Competency management

Credo

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Remember

Difficulty : 1 Easy

Learning Objective : 01-01 Explain the role of strategy in a firm's quest for competitive advantage.

Topic : Strategy and the Strategic Management Process

Source : Chapter 01 Test Bank > MC Qu. 52 \_\_\_\_\_ is best described as a set of goal-dir...

A firm is embedded in a multifaceted exchange relationship with a number of diverse internal and external stakeholders. Elaborate on this statement and provide multiple examples of the exchange relationship between a firm and its stakeholders, including what each party contributes.

**Question Details**

AACSB : Analytical Thinking

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 3 Hard

Learning Objective : 01-03 Assess the relationship between stakeholder strategy and sustainable compe

Topic : Stakeholders and Stakeholder Analysis

Source : Chapter 01 Test Bank > SA Qu. 103 A firm is embedded in a multifaceted exchang...

Which is a model that links strategy analysis, strategy formulation, and strategy implementation, thereby helping managers plan and implement a good strategy?

\_\_\_\_\_

AFI strategy framework

stakeholder impact analysis

corporate social responsibility

the Four Ps

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Remember

Difficulty : 1 Easy

Learning Objective : 01-05 Apply the Analysis, Formulation, Implementation (AFI) Strategy Framework.

Topic : The Strategic Role of Managers in Strategy Formulation and Implementation

Source : Chapter 01 Test Bank > MC Qu. 80 Which is a model that links strategy...

A firm *always* has a competitive disadvantage when its return on invested capital is

---

below the industry average.

declining steadily over two or more years.

2 percent or lower in a declining industry.

about the same as its closest competitor.

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-02 Define competitive advantage, sustainable competitive advantage, competi

Topic : Competitive Advantage

Source : Chapter 01 Test Bank > MC Qu. 70 A firm always has a competitive disadvantage...

A firm that achieves superior performance relative to other firms in the same industry or the industry average has a(n)

---

balanced scorecard.

equity leverage.

power position.

competitive advantage.

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Remember

Difficulty : 1 Easy

Learning Objective : 01-02 Define competitive advantage, sustainable competitive advantage, competi

Topic : Competitive Advantage

Source : Chapter 01 Test Bank > MC Qu. 59 A firm that achieves superior performance re...

Questions asked during the strategy analysis stage of the AFI framework should include “What effects do forces in the external environment have on the firm’s potential to gain and sustain a competitive advantage?”

---

true

false

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 3 Hard

Learning Objective : 01-05 Apply the Analysis, Formulation, Implementation (AFI) Strategy Framework.

Topic : The Strategic Role of Managers in Strategy Formulation and Implementation

Source : Chapter 01 Test Bank > TF Qu. 04 Questions asked during the strategy analysis...

After a firm has recognized its key stakeholders in stakeholder impact analysis, the immediate next step is to

---

identify stakeholders’ interests and claims.

formulate a stakeholder strategy.

address the stakeholders’ concerns.

recognize the opportunities and threats the stakeholders present.

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Remember

Difficulty : 2 Medium

Learning Objective : 01-04 Conduct a stakeholder impact analysis.

Topic : Stakeholders and Stakeholder Analysis

Source : Chapter 01 Test Bank > MC Qu. 38 After a firm has recognized its key stakehol...

Briefly discuss how *not* to define strategy and the main mistakes that managers make when creating their strategy.

**Question Details**

AACSB : Analytical Thinking

Accessibility : Keyboard Navigation

Bloom's : Analyze

Difficulty : 2 Medium

Learning Objective : 01-02 Define competitive advantage, sustainable competitive advantage, competi

Topic : Competitive Advantage

Source : Chapter 01 Test Bank > SA Qu. 99 Briefly discuss how not to define strategy and...

The first step in stakeholder impact analysis involves which of the following?

---

identifying the interests of the stakeholders

identifying the social responsibilities to stakeholders

identifying the opportunities that stakeholders present

identifying who the stakeholders are

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-04 Conduct a stakeholder impact analysis.

Topic : Stakeholders and Stakeholder Analysis

Source : Chapter 01 Test Bank > MC Qu. 37 The first step in stakeholder impact analysi...

Yellow Ride Service is a new entrant to the taxi industry. It has achieved success by staking out a unique position in the industry. How did Yellow Ride Service mostly likely achieve this position?

---

providing long-distance cab fares at a lower rate than competitors; servicing the same area as competitors

providing long-distance cab fares at a higher rate than competitors; servicing the same area as competitors

providing long-distance cab fares at a lower rate than competitors; servicing a smaller area than competitors

providing long-distance cab fares at a higher rate than competitors; servicing a larger area than competitors

**Question Details**

AACSB : Analytical Thinking

Accessibility : Keyboard Navigation

Bloom's : Analyze

Difficulty : 3 Hard

Learning Objective : 01-02 Define competitive advantage, sustainable competitive advantage, competi

Topic : Strategic Approaches to Winning a Sustainable Competitive Advantage

Source : Chapter 01 Test Bank > MC Qu. 74 Yellow Ride Service is a new entrant to the ...

The interaction between a firm and its diverse internal and external stakeholders is best described as a(n)

---

cartel arrangement.

ergonomic relationship.

exchange relationship.

fiduciary responsibility.

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Remember

Difficulty : 1 Easy

Learning Objective : 01-03 Assess the relationship between stakeholder strategy and sustainable compe

Topic : Stakeholders and Stakeholder Analysis

Source : Chapter 01 Test Bank > MC Qu. 33 The interaction between a firm and its diver...

Dazzle Lighting was the first company to start selling LED light bulbs in its country—a product that gained popularity among diverse groups. Soon, other companies started to sell their own brands of LED bulbs, thereby giving Dazzle Lighting ample competition. In response, Dazzle Lighting decided to limit its LED light bulbs to outdoor models. However, it ensured that these models were the longest-lasting and lowest-priced on the market. With this innovation, Dazzle Lighting consistently outperformed its competitors for ten years. In this scenario, Dazzle Lighting maintained a \_\_\_\_\_ through its innovative strategy.

\_\_\_\_\_

balanced scorecard

fiduciary responsibility

sustainable competitive advantage

consistent power position

**Question Details**

AACSB : Analytical Thinking

Accessibility : Keyboard Navigation

Bloom's : Analyze

Difficulty : 3 Hard

Learning Objective : 01-02 Define competitive advantage, sustainable competitive advantage, competi

Topic : Strategic Approaches to Winning a Sustainable Competitive Advantage

Source : Chapter 01 Test Bank > MC Qu. 60 Dazzle Lighting was the first company to start...

The following statement by the chief executive of MegaFilms movie studio should *not* be used as a strategy: “We will produce the greatest films of the 21st century.”

---

true

false

#### Question Details

AACSB : Analytical Thinking

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-02 Define competitive advantage, sustainable competitive advantage, competi

Topic : Strategy and the Strategic Management Process

Source : Chapter 01 Test Bank > TF Qu. 02 The following statement by the chief executi...

Which of the following is typically an economic responsibility of a firm?

---

helping a nation increase its import of goods and services

sourcing raw materials from highly developed countries

donating resources, in terms of money and time, toward community development

paying adequate returns to the firm’s stockholders on the capital invested by them

#### Question Details

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-04 Conduct a stakeholder impact analysis.

Topic : Corporate Social Responsibility and Sustainability

Source : Chapter 01 Test Bank > MC Qu. 40 Which of the following is typically an econo...

Hewlett-Packard was not able to address the competitive challenges of cloud and mobile computing. The company therefore destroyed shareholder value by failing to create

---



value for society.

foreign contacts.

a strong infrastructure.

a need for printers.

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Remember

Difficulty : 1 Easy

Learning Objective : 01-03 Assess the relationship between stakeholder strategy and sustainable compe

Topic : Top-Down Strategic Planning and Scenario Planning

Source : Chapter 01 Test Bank > MC Qu. 26 Hewlett-Packard was not able to address...

The goal of a good strategy is focused primarily on

---

employing lean manufacturing and Six Sigma.

creating superior value while containing costs.

making as much money as possible.

encouraging investors to buy more shares of the firm.

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-01 Explain the role of strategy in a firm's quest for competitive advantage.

Topic : Sustaining a Competitive Advantage

Source : Chapter 01 Test Bank > MC Qu. 21 The goal of a good strategy is focused prima...

Giorgia's and Florentine's are two restaurants serving Italian cuisine. While Giorgia's focuses on providing quick, affordable pasta dishes for the lunch crowd, Florentine's focuses on serving home-style dishes in an upscale, romantic setting. Why have both companies been able to gain a competitive advantage?

---

They each engaged in direct imitation and substitution.

They benefited from economies of scale.

They entered into a cartel arrangement.

They each pursued distinct strategic positions.

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Apply

Difficulty : 2 Medium

Learning Objective : 01-02 Define competitive advantage, sustainable competitive advantage, competi

Topic : Strategic Approaches to Winning a Sustainable Competitive Advantage

Source : Chapter 01 Test Bank > MC Qu. 75 Giorgia's and Florentine's are two...

Which of the following three important stakeholder attributes should managers pay special close attention to in order to better understand stakeholder impact analysis?

---

grace under pressure, financial control, and reward power

shareholder rights plan, board representation and CEO influence

competitive advantage, economic value, and time

power, legitimacy, and urgency

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 3 Hard

Learning Objective : 01-04 Conduct a stakeholder impact analysis.

Topic : Stakeholders and Stakeholder Analysis

Source : Chapter 01 Test Bank > MC Qu. 16 Which of the following three important stake...

Juan wants to open his own hot dog restaurant but doesn't know anything about business. He needs help determining who his competition is, how he should craft his strategy to compete and how he'll implement his strategy to achieve a competitive advantage. He's hired you to help him get started. As a result, you will probably use which of the following?

---

Stakeholder Impact analysis

Red Queen effect

AFI strategy framework

competitive benchmarking

**Question Details**

AACSB : Analytical Thinking

Accessibility : Keyboard Navigation

Bloom's : Apply

Difficulty : 2 Medium

Learning Objective : 01-01 Explain the role of strategy in a firm's quest for competitive advantage.

Topic : Sustaining a Competitive Advantage

Source : Chapter 01 Test Bank > MC Qu. 09 Juan wants to open his own hot dog restaurant...

Stakeholder impact analysis provides a decision tool that helps strategic leaders recognize the needs of different stakeholders.

---

true

false

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-04 Conduct a stakeholder impact analysis.

Topic : Value of Strategic Leadership

Source : Chapter 01 Test Bank > TF Qu. 08 Stakeholder impact analysis provides a...

The average cost of production for a bottle of mineral water in the industry is \$5 while its average price is \$8. Forever Spring Inc. manufactures the same product for \$3 per bottle and sells it for \$8 per bottle. Which of the following statements is most likely true of ForeverSpring Inc. in this scenario?

It has competitive parity with other firms in the industry.

It has a competitive disadvantage in the industry.

It has formed a strategic alliance with other firms in the industry.

It has a competitive advantage in the industry.

**Question Details**

AACSB : Analytical Thinking

Accessibility : Keyboard Navigation

Bloom's : Analyze

Difficulty : 3 Hard

Learning Objective : 01-02 Define competitive advantage, sustainable competitive advantage, competi

Topic : Competitive Advantage

Source : Chapter 01 Test Bank > MC Qu. 66 The average cost of production for a bottle ...

According to AFI strategy framework, in which of the following tasks of strategic management does a firm identify the roles strategic leaders play?

---

strategy design

strategy implementation

strategy management

strategy analysis

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-05 Apply the Analysis, Formulation, Implementation (AFI) Strategy Framework.

Topic : The Strategic Role of Managers in Strategy Formulation and Implementation

Source : Chapter 01 Test Bank > MC Qu. 82 According to AFI strategy framework, in whic...

During an AFI planning session, the strategic leaders of the Buckaroo Trucks Corporation cut overhead costs by placing various stages of production in different countries. By doing this, the firm addressed which of the following issues?

---

organizational design

business ethics

corporate governance

philanthropic strategy

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Apply

Difficulty : 2 Medium

Learning Objective : 01-05 Apply the Analysis, Formulation, Implementation (AFI) Strategy Framework.

Topic : The Strategic Role of Managers in Strategy Formulation and Implementation

Source : Chapter 01 Test Bank > MC Qu. 91 During an AFI planning session, the...

In strategic management, strategists engage in three pillars. These three pillars include the \_\_\_\_\_ of major goals and objectives.

\_\_\_\_\_

objectification

presentation

unification

implementation

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-05 Apply the Analysis, Formulation, Implementation (AFI) Strategy Framework.

Topic : The AFI Strategy Framework

Source : Chapter 01 Test Bank > MC Qu. 19 In strategic management, strategists engage ...

In the final step of the stakeholder impact analysis, a firm

\_\_\_\_\_

recognizes the opportunities and threats stakeholders present.

identifies its stakeholders' interests and claims.

decides a course of action to address the stakeholders' concerns.

differentiates its internal stakeholders from its external stakeholders.

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-04 Conduct a stakeholder impact analysis.

Topic : Stakeholders and Stakeholder Analysis

Source : Chapter 01 Test Bank > MC Qu. 49 In the final step of the stakeholder impact ...

Lawrence decided to copy the competition to gain a competitive advantage for his company. After a year, he realized his company failed to gain such an advantage. Lawrence most likely failed because of the \_\_\_\_\_ effect.

\_\_\_\_\_

grandiose

Red Queen

Green Pawn

globalization

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-03 Assess the relationship between stakeholder strategy and sustainable compe

Topic : Top-Down Strategic Planning and Scenario Planning

Source : Chapter 01 Test Bank > MC Qu. 25 Lawrence decided to copy the competition...

Which of the following provides an example of what AFI strategy framework is used for?

\_\_\_\_\_

Using AFI, the Fine Dine Restaurant Group was able to improve employee benefits and thereby increase employee loyalty.

Using AFI, the Mossimo Apparel Company was able to implement a strategy that allowed them to give more money to charities and thereby gain good press.

Using AFI, the Pure Tea Group was able to reduce the pollution it caused while processing tea and thereby receive an award.

Using AFI, the Quest Auto firm was able to implement a strategy that produced high-quality cars more efficiently and thereby reduced costs.

**Question Details**

AACSB : Analytical Thinking

Accessibility : Keyboard Navigation

Bloom's : Evaluate

Difficulty : 2 Medium

Learning Objective : 01-05 Apply the Analysis, Formulation, Implementation (AFI) Strategy Framework.

Topic : The Strategic Role of Managers in Strategy Formulation and Implementation

Source : Chapter 01 Test Bank > MC Qu. 88 Which of the following provides an example o...

Superior performance allows a company to benefit society by implementing which of the following strategies?

\_\_\_\_\_

reinvest some of its profits and grow, providing more employment and career opportunities

substitute less-expensive components to keep costs low

sell more advertising space

imitate the features of the most popular products of competitors on the market

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Remember

Difficulty : 2 Medium

Learning Objective : 01-01 Explain the role of strategy in a firm's quest for competitive advantage.

Topic : Strategy and the Strategic Management Process

Source : Chapter 01 Test Bank > MC Qu. 50 Superior performance allows a company to...

Sugar & Sweet Sodas has seen its market share erode in recent years, as consumers increasingly turn toward healthier beverage choices such as unsweetened sparkling water. Hoping to rekindle

interest in sugary sodas, Sugar & Sweet decides to produce a limited run of “throwback” cans using labeling first introduced in the 1980s. What is wrong with this strategy?

---

It lacks strategic commitments.

It fails to face the competitive challenge.

It tries to be everything to everybody.

It does not involve concrete actions.

**Question Details**

AACSB : Analytical Thinking

Accessibility : Keyboard Navigation

Bloom's : Analyze

Difficulty : 2 Medium

Learning Objective : 01-02 Define competitive advantage, sustainable competitive advantage, competi

Topic : Strategic Approaches to Winning a Sustainable Competitive Advantage

Source : Chapter 01 Test Bank > MC Qu. 79 Sugar & Sweet Sodas has seen its market ...

Managers use the AFI strategy framework to

---

explain and predict differences in firm performance.

minimize the wealth of their shareholders.

help reduce the economic contribution of their business.

help their business achieve and sustain competitive parity.

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-05 Apply the Analysis, Formulation, Implementation (AFI) Strategy Framework.

Topic : The Strategic Role of Managers in Strategy Formulation and Implementation

Source : Chapter 01 Test Bank > MC Qu. 81 Managers use the AFI strategy framework to

What are the three broad tasks of the AFI strategy framework? Explain each task.



**Question Details**

AACSB : Analytical Thinking

Accessibility : Keyboard Navigation

Bloom's : Remember

Difficulty : 1 Easy

Learning Objective : 01-05 Apply the Analysis, Formulation, Implementation (AFI) Strategy Framework.

Topic : The Strategic Role of Managers in Strategy Formulation and Implementation

Source : Chapter 01 Test Bank > SA Qu. 98 What are the three broad tasks of the...

Earth Mother Leisure Wear had a mission to become the leading producer of environmentally friendly leggings, an emerging and in-demand category in the apparel industry. Its strategy involved leveraging a network of organic cotton farmers and suppliers of environmentally responsible synthetic materials to create a product that is durable, attractive, affordable, and 100% recyclable. However, because it did not upgrade its outdated production facilities, Earth Mother Leisure Wear could not assemble its products at a low-enough cost to offer the leggings at a price that was attractive to customers. Earth Mother Leisure Wear's strategy failed because

---

the company did not stake out a unique strategy position.

it was not backed up with strategic commitments.

it failed to consider the competitive challenge.

managers did not live by the company's core values.

**Question Details**

AACSB : Analytical Thinking

Accessibility : Keyboard Navigation

Bloom's : Analyze

Difficulty : 3 Hard

Learning Objective : 01-01 Explain the role of strategy in a firm's quest for competitive advantage.

Topic : Strategy and the Strategic Management Process

Source : Chapter 01 Test Bank > MC Qu. 57 Earth Mother Leisure Wear had a mission...

As the strategic manager of AlwaysSharp art knives, you are tasked with producing a strategy for introducing a new line of premium knives. Your competitor produces a line of similar art knives

at a cost of \$1 and sells them for \$5. Because your company has inferior production capabilities, your knives will cost \$2 each to produce. However, your handle is proven to be more comfortable than your competitors'. Assuming you are guaranteed to sell the same number of units as your competitor, which of the following strategies is most likely to achieve a competitive advantage?

---

Continue to produce AlwaysSharp art knives for \$2 but set the price at \$4.

Market AlwaysSharp art knives as a higher-quality alternative and sell them for \$7.

Reduce the quality of materials used in AlwaysSharp art knives to bring unit costs down to \$1, then sell the knives for \$5.

Offer a buy-one-get-one-free sale on AlwaysSharp art knives.

#### **Question Details**

AACSB : Analytical Thinking

Accessibility : Keyboard Navigation

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-02 Define competitive advantage, sustainable competitive advantage, competi

Topic : Competitive Advantage

Source : Chapter 01 Test Bank > MC Qu. 69 As the strategic manager of AlwaysSharp...

Which of the following best qualifies as a firm's internal stakeholder?

---

a labor union with whom the firm's employees can affiliate

a competitor manufacturing the same products as that of the firm

a manager taking care of the firm's operations in a foreign market

an auditor assigned to the firm by a federal government agency

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-03 Assess the relationship between stakeholder strategy and sustainable compe

Topic : Stakeholders and Stakeholder Analysis

Source : Chapter 01 Test Bank > MC Qu. 31 Which of the following best qualifies as a f...

A good strategy allows a firm to achieve superior performance and sustainable competitive advantage without regard to the external environment.

---

true

false

**Question Details**

AACSB : Analytical Thinking

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-01 Explain the role of strategy in a firm's quest for competitive advantage.

Topic : Strategy and the Strategic Management Process

Source : Chapter 01 Test Bank > TF Qu. 01 A good strategy allows a firm to achieve superior...

DuraLine Ltd. is a landline telephone manufacturer whose average return on invested capital is approximately 2 percent. Because demand for landline telephones has declined significantly, the industry average return on invested capital has been negative (–5 percent) for the last few years. In this scenario, DuraLine Ltd. has a

---

competitive advantage.

balanced scorecard.

competitive disadvantage.

power position.

**Question Details**

AACSB : Analytical Thinking

Accessibility : Keyboard Navigation

Bloom's : Analyze

Difficulty : 3 Hard

Learning Objective : 01-02 Define competitive advantage, sustainable competitive advantage, competi

Topic : Competitive Advantage

Source : Chapter 01 Test Bank > MC Qu. 64 DuraLine Ltd. is a landline telephone manufa...

Discuss the importance of creating an overall stakeholder strategy opposed to just catering to stockholders.

**Question Details**

AACSB : Analytical Thinking

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-03 Assess the relationship between stakeholder strategy and sustainable compe

Topic : Competitive Advantage

Source : Chapter 01 Test Bank > SA Qu. 100 Discuss the importance of creating an overal...

Most consumers and investors today want the firms they do business with to look beyond just the profit motive. In fact, they want firms that behave legally and ethically while also giving back to their communities via philanthropic activities. The framework that attempts to reconcile these wants is known as

---

corporate social responsibility.

business model analysis.

value chain driven decision making.

stakeholder impact analysis.

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-04 Conduct a stakeholder impact analysis.

Topic : Define Stakeholders and Know How to Conduct a Stakeholder Analysis

Source : Chapter 01 Test Bank > MC Qu. 17 Most consumers and investors today want the ...

Which of the following tasks in the AFI strategy framework involves evaluating the internal and external environments in which a firm operates?

\_\_\_\_\_

competitive advantage

implementation

formulation

analysis

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-05 Apply the Analysis, Formulation, Implementation (AFI) Strategy Framework.

Topic : The AFI Strategy Framework

Source : Chapter 01 Test Bank > MC Qu. 20 Which of the following tasks in the AFI stra...

A firm is said to gain a competitive advantage when it accomplishes which of the following?

\_\_\_\_\_

provides products similar to its competitors, but at lower prices

performs at the same level as that of its competitors

provides goods or services similar to the competitors' at a higher price

matches its highest previous performances

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-02 Define competitive advantage, sustainable competitive advantage, competi

Topic : Competitive Advantage

Source : Chapter 01 Test Bank > MC Qu. 67 A firm is said to gain a competitive advanta...

Which of the following statements should ideally reflect a firm's strategy for competitive advantage?

---

We will be number one in the industry.

Our aim is to create superior customer value while controlling costs.

Our strategy is to win at any cost.

We want to be the market leader by replicating our competitor's strategy.

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-02 Define competitive advantage, sustainable competitive advantage, competi

Topic : Strategic Approaches to Winning a Sustainable Competitive Advantage

Source : Chapter 01 Test Bank > MC Qu. 78 Which of the following statements should ide...

Industrial Drills, a company that manufactures industrial tools, incurs higher costs because of its refusal to outsource its manufacturing to countries where labor costs are lower. This reflects Industrial Drills' \_\_\_\_\_ responsibility.

---

demographic

legal

economic

ethical

**Question Details**

AACSB : Ethics

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-04 Conduct a stakeholder impact analysis.

Topic : Corporate Social Responsibility and Sustainability

Source : Chapter 01 Test Bank > MC Qu. 43 Industrial Drills, a company that manufactur...

All of the following are external stakeholders except which of the following?

\_\_\_\_\_

customers

competitors

alliance partners

creditors

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-03 Assess the relationship between stakeholder strategy and sustainable compe

Topic : Stakeholders and Stakeholder Analysis

Source : Chapter 01 Test Bank > MC Qu. 14 All of the following are external stakeholde...

Sean, a retired CEO, invests capital in a start-up company that creates budgeting software. He mentors the entrepreneur and the employees of the company because he wants the company to perform well and survive in the market. Thus, Sean is the start-up company's

\_\_\_\_\_

stakeholder.

employee.

category captain.

headhunter.

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-03 Assess the relationship between stakeholder strategy and sustainable compe

Topic : Stakeholders and Stakeholder Analysis

Source : Chapter 01 Test Bank > MC Qu. 27 Sean, a retired CEO, invests capital in a st...

The \_\_\_\_\_ effect involves studying and copying the competition, which results in unsuccessful efforts to gain a competitive advantage.

\_\_\_\_\_

Wizard of Oz

Black Swan

Mad Hatter

Red Queen

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-02 Define competitive advantage, sustainable competitive advantage, competi

Topic : Understanding a Firm's External Environment

Source : Chapter 01 Test Bank > MC Qu. 24 The \_\_\_\_\_ effect involves studying and...

Batt Packs recently came under criticism when a newspaper article revealed that the company's production plant had leaked a chemical compound into a sensitive wetland ecosystem. Although use of the chemical was not technically prohibited by law, the local government levied a small fine for cleaning up the spill. Environmental groups, however, argued that continued use of the chemical was damaging to the local wildlife and threatened to organize a boycott against Batt Packs. What should Batt Packs do to ensure that it meets its ethical responsibilities?

\_\_\_\_\_

move its production facilities to an area that is less concerned with environmental issues

design batteries without the chemical and market them as environmentally friendly



take out an advertisement arguing that use of the chemical is perfectly legal  
pay the fine levied by the local government and resume operations

**Question Details**

AACSB : Ethics

Accessibility : Keyboard Navigation

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-04 Conduct a stakeholder impact analysis.

Topic : Corporate Social Responsibility and Sustainability

Source : Chapter 01 Test Bank > MC Qu. 44 Batt Packs recently came under criticism whe...

If French Provincial Decor LLC obtains an 18 percent return on invested capital, which of the following will help determine if it has a competitive advantage over other furniture companies?

- 
- assessing the value based on the shareholders' expectations of return on their capital
  - evaluating the liquidity ratios for other pharmaceutical companies
  - comparing the value to the history of the firm's return of investment over a number of years
  - comparing the return to the return on invested capital obtained by other firms in the industry

**Question Details**

AACSB : Analytical Thinking

Accessibility : Keyboard Navigation

Bloom's : Analyze

Difficulty : 3 Hard

Learning Objective : 01-02 Define competitive advantage, sustainable competitive advantage, competi

Topic : Competitive Advantage

Source : Chapter 01 Test Bank > MC Qu. 62 If French Provincial Decor LLC obtains...

Which of the following scenarios best illustrates a good stakeholder strategy?

---

Nowadays Corp. distributes only 40 percent of its annual profit after taxes to shareholders, while the remaining is invested for further research and distributed among employees and the local community.

Knights for Lights Corp. ensures that it fully exploits free natural resources, so that most of its profits go to shareholders in the form of dividends.

Ben's Buttons Inc. ensures that its employees are paid the least in the industry so that its external stakeholders can get the best price.

ASI Inc. follows a strategy in which maximization of the shareholder's wealth is the primary concern of the managers.

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-03 Assess the relationship between stakeholder strategy and sustainable compe

Topic : Stakeholders and Stakeholder Analysis

Source : Chapter 01 Test Bank > MC Qu. 35 Which of the following scenarios best illust...

As the legal owners, \_\_\_\_\_ have the most legitimate claim on a company's profits.

\_\_\_\_\_

board members

creditors

employees

shareholders

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Remember

Difficulty : 1 Easy

Learning Objective : 01-04 Conduct a stakeholder impact analysis.

Topic : Stakeholders and Stakeholder Analysis

Source : Chapter 01 Test Bank > MC Qu. 39 As the legal owners, \_\_\_\_\_ have the most leg...

What is meant by corporate social responsibility (CSR)?

**Question Details**

AACSB : Reflective Thinking

Accessibility : Keyboard Navigation

Bloom's : Remember

Difficulty : 2 Medium

Learning Objective : 01-04 Conduct a stakeholder impact analysis.

Topic : Corporate Social Responsibility and Sustainability

Source : Chapter 01 Test Bank > SA Qu. 104 What is meant by corporate social responsibi...

If a company wants to gain a competitive advantage in a highly competitive industry, it should ideally

---

execute an integrated cost-leadership and differentiation position.

copy the strategies of other firms through competitive benchmarking.

provide goods or services similar to its competitors at higher prices.

stake out a unique position within the industry.

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-02 Define competitive advantage, sustainable competitive advantage, competi

Topic : Strategic Approaches to Winning a Sustainable Competitive Advantage

Source : Chapter 01 Test Bank > MC Qu. 73 If a company wants to gain a competitive adv...

For a corporate strategy, which question is often asked?

---

How should the firm compete: cost leadership, differentiation, or value innovation?

How do we create shared value?

Where should the firm compete in terms of industry, markets, and geography?

How do strategic leaders help shape a firm's vision, mission, and values?

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-05 Apply the Analysis, Formulation, Implementation (AFI) Strategy Framework.

Topic : The AFI Strategy Framework

Source : Chapter 01 Test Bank > MC Qu. 22 For a corporate strategy, which question...

Bill's Auto & Airplane Repair shop is able to generate a positive net income of \$10,000 a week, which is about the same as the income of a close competitor. As a result, we can conclude that the two businesses also have a competitive parity in the industry.

---

Correct—competitive advantage is achieved through profitability alone.

Incorrect—Bill's Auto & Airplane Repair shop more than likely has a sustained competitive advantage because the business is diversified.

Correct—competitive advantage is achieved since Bill's Auto & Airplane Repair shop has a positive net income.

Correct—competitive parity is a performance of two or more firms at the same level.

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-02 Define competitive advantage, sustainable competitive advantage, competi

Topic : Sustaining a Competitive Advantage

Source : Chapter 01 Test Bank > MC Qu. 12 Bill's Auto & Airplane Repair shop...

To better achieve a competitive advantage, firms must now adopt a holistic approach towards satisfying multiple stakeholders opposed to focusing on the needs of their shareholders. What term is used for this approach?

---

shareholder relationship strategy

internal shareholder strategy

stakeholder strategy

value creation strategy

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-03 Assess the relationship between stakeholder strategy and sustainable compe

Topic : Stakeholders and Stakeholder Analysis

Source : Chapter 01 Test Bank > MC Qu. 13 To better achieve a competitive advantage...

While creating its AFI strategy framework, Bethany Consultants decided what markets the firm should compete in. By doing this, what type of strategy did the company devise?

---

ethical strategy

global strategy

business strategy

corporate strategy

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-05 Apply the Analysis, Formulation, Implementation (AFI) Strategy Framework.

Topic : The Strategic Role of Managers in Strategy Formulation and Implementation

Source : Chapter 01 Test Bank > MC Qu. 90 While creating its AFI strategy framework...

A firm is required by society and its shareholders to meet its ethical and philanthropic responsibilities.

---

true

false

**Question Details**

AACSB : Ethics

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-03 Assess the relationship between stakeholder strategy and sustainable compe

Topic : Value of Strategic Leadership

Source : Chapter 01 Test Bank > TF Qu. 07 A firm is required by society and its shareh...

The minimum wage in the country of Hanns is \$8 an hour. Delish, a restaurant in Hanns' capital city, pays its servers \$8 per hour. However, the management of the restaurant feels that this amount is excessive for workers whose only job is to clear tables. By continuing to adhere to the rules set by the government of Hanns, which of the following responsibilities is Delish satisfying?

---

demographic responsibilities

legal responsibilities

philanthropic responsibilities

ethical responsibilities

**Question Details**

AACSB : Ethics

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-04 Conduct a stakeholder impact analysis.

Topic : Corporate Social Responsibility and Sustainability

Source : Chapter 01 Test Bank > MC Qu. 41 The minimum wage in the country of Hanns is ...

The three tasks of the AFI strategy framework are to Assemble a prototype, Find a buyer, and Incorporate feedback.

true

false

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-05 Apply the Analysis, Formulation, Implementation (AFI) Strategy Framework.

Topic : The Strategic Role of Managers in Strategy Formulation and Implementation

Source : Chapter 01 Test Bank > TF Qu. 03 The three tasks of the AFI strategy framewor...

Putting the formulated strategy into practice through organizational structure, culture, and controls is accomplished in which stage in the AFI strategy framework?

---

strategy examination

strategy formulation

strategy appraisal

strategy implementation

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-05 Apply the Analysis, Formulation, Implementation (AFI) Strategy Framework.

Topic : The Strategic Role of Managers in Strategy Formulation and Implementation

Source : Chapter 01 Test Bank > MC Qu. 86 Putting the formulated strategy into...

What is the relationship between economic contribution and competitive advantage?

**Question Details**

AACSB : Analytical Thinking

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-02 Define competitive advantage, sustainable competitive advantage, competi

Topic : Competitive Advantage

Source : Chapter 01 Test Bank > SA Qu. 96 What is the relationship between economic co...

For a firm that operates in an industry where competition is high, which of the following practices will result in inferior performance?

---

focusing on creating value for customers rather than destroying rivals

trying to be everything to everybody by combining different competitive strategies

choosing a distinct but different strategic position in the industry

working toward increasing the difference between value creation and cost

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-02 Define competitive advantage, sustainable competitive advantage, competi

Topic : Strategic Approaches to Winning a Sustainable Competitive Advantage

Source : Chapter 01 Test Bank > MC Qu. 72 For a firm that operates in an industry wher...

What are the three crucial stakeholder attributes? Briefly describe each one.



**Question Details**

AACSB : Analytical Thinking

Accessibility : Keyboard Navigation

Bloom's : Analyze

Difficulty : 2 Medium

Learning Objective : 01-04 Conduct a stakeholder impact analysis.

Topic : Competitive Advantage

Source : Chapter 01 Test Bank > SA Qu. 101 What are the three crucial stakeholder...

What are the elements of a good strategy? Briefly explain how they are accomplished.

**Question Details**

AACSB : Analytical Thinking

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-01 Explain the role of strategy in a firm's quest for competitive advantage.

Topic : Strategy and the Strategic Management Process

Source : Chapter 01 Test Bank > SA Qu. 93 What are the elements of a good strategy...

BuyNow Inc. is an e-commerce retail firm that sells a variety of merchandise online. Through services like cash on delivery, easy return, and online tracking, the company has created more customer value than its competitors (brick-and-mortar businesses) at the same price. Also, the company's costs are substantially lower than its competitors because of minimal investments in operation and administration. In this scenario, BuyNow Inc. has most likely been able to provide superior value and cost control through

---

strategic profiling.

strategic positioning.

strategic parity.

strategic liquidation.

**Question Details**

AACSB : Analytical Thinking

Accessibility : Keyboard Navigation

Bloom's : Analyze

Difficulty : 3 Hard

Learning Objective : 01-02 Define competitive advantage, sustainable competitive advantage, competi

Topic : Strategic Approaches to Winning a Sustainable Competitive Advantage

Source : Chapter 01 Test Bank > MC Qu. 68 BuyNow Inc. is an e-commerce retail firm tha...

Ayesha, the founder of Solid Foundation Construction, strongly believes in the notion of corporate social responsibility, so she proposed several philanthropic activities that she expects the company to pursue. In order to accomplish this vision, the managers should first

---

ensure that the company is profitable and has a sustainable competitive advantage.

ask for public input on issues that the company can help address.

make sure it is paying employees' wages that allow them to live comfortably.

review all legal codes in the areas in which Solid Foundation operates and ensure all permits are up-to-date.

**Question Details**

AACSB : Ethics

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-04 Conduct a stakeholder impact analysis.

Topic : Corporate Social Responsibility and Sustainability

Source : Chapter 01 Test Bank > MC Qu. 48 Ayesha, the founder of Solid Foundation...

Which of the following is an element of good strategy?

---

an approach that underestimates the competition

a summary of the firm's history within its industry

a guiding policy to address employee satisfaction

a set of coherent actions to implement the firm's guiding policy

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-01 Explain the role of strategy in a firm's quest for competitive advantage.

Topic : Strategy and the Strategic Management Process

Source : Chapter 01 Test Bank > MC Qu. 56 Which of the following is an element of good...

If all firms in an industry pursued a low-cost position through application of competitive benchmarking, which of the following would happen?

---

The firms would eventually have no resources to invest in product and process improvements.

No firm would face direct competition from others in the industry; hence, profit potential would be high.

Each firm would have different cost structures.

Each firm would have high value creation.

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-02 Define competitive advantage, sustainable competitive advantage, competi

Topic : Strategic Approaches to Winning a Sustainable Competitive Advantage

Source : Chapter 01 Test Bank > MC Qu. 76 If all firms in an industry pursued...

Green and Good Inc., a multinational company, relies on its media partner OmniSignal to regularly advertise its offers, sales, and new products. OmniSignal is invested in this relationship because it generates most of its revenue from advertising Green and Good's products. In this scenario, OmniSignal is Green and Good Inc.'s

---

workforce.

internal stakeholder.

external stakeholder.

stockholder.

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-03 Assess the relationship between stakeholder strategy and sustainable compe

Topic : Stakeholders and Stakeholder Analysis

Source : Chapter 01 Test Bank > MC Qu. 28 Green and Good Inc., a multinational company...

How is competitive advantage different from competitive parity?

**Question Details**

AACSB : Analytical Thinking

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-02 Define competitive advantage, sustainable competitive advantage, competi

Topic : Competitive Advantage

Source : Chapter 01 Test Bank > SA Qu. 95 How is competitive advantage different from ...

Why should firms in the same industry choose distinct but different strategic positions?

**Question Details**

AACSB : Analytical Thinking

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-02 Define competitive advantage, sustainable competitive advantage, competi

Topic : Strategic Approaches to Winning a Sustainable Competitive Advantage

Source : Chapter 01 Test Bank > SA Qu. 97 Why should firms in the same industry...

Writer Button Inc. and Horner Inc. are two companies that have been manufacturing typewriters for almost 30 years. Due to the reduced demand for typewriters today, both companies' average return on invested capital is approximately –5 percent. The current industry average is 2 percent. In this scenario, Writer Button Inc. and Horner Inc. most likely have

---

competitive parity with each other.

competitive advantage over other firms in their industry.

strategic alliance with each other.

economies of scope instead of economies of scale.

**Question Details**

AACSB : Analytical Thinking

Accessibility : Keyboard Navigation

Bloom's : Analyze

Difficulty : 3 Hard

Learning Objective : 01-02 Define competitive advantage, sustainable competitive advantage, competi

Topic : Competitive Advantage

Source : Chapter 01 Test Bank > MC Qu. 65 Writer Button Inc. and Horner Inc. are two c...

Define and elaborate on competitive advantage.

**Question Details**

AACSB : Analytical Thinking

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-02 Define competitive advantage, sustainable competitive advantage, competi

Topic : Strategic Approaches to Winning a Sustainable Competitive Advantage

Source : Chapter 01 Test Bank > SA Qu. 94 Define and elaborate on competitive advantag...

During strategy implementation, managers primarily focus on deciding the

---

type of corporate governance that is most effective and ways in which it can put the formulated strategy into practice.

role strategic leaders should play in gaining and sustaining a competitive advantage.

relationship between competitive advantage and firm performance.

industries and markets the firm should compete in to be able to gain and sustain a competitive advantage.

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Remember

Difficulty : 1 Easy

Learning Objective : 01-05 Apply the Analysis, Formulation, Implementation (AFI) Strategy Framework.

Topic : The Strategic Role of Managers in Strategy Formulation and Implementation

Source : Chapter 01 Test Bank > MC Qu. 87 During strategy implementation, managers pri...

Golden Age Cinemas Inc. and HiDef Inc. are two companies that own and run movie theaters in malls and other commercial areas. Both are trying to coax consumers back into movie theaters after the COVID-19 pandemic shutdowns. While Golden Age Cinemas Inc. pursues a cost-leadership strategy, HiDef Inc. adopts a differentiation strategy. Which of the following statements is most likely true of this scenario?

---

HiDef will keep its customer service at an acceptable level, while Golden Age Cinemas will provide superior customer service.

HiDef and Golden Age Cinemas will not be direct competitors to each other, and their customer segments will overlap very little.

Golden Age Cinemas will charge a premium price for its customers, while HiDef will implement everyday low pricing.

Golden Age Cinemas and HiDef will use a similar approach to create value for customers by attempting to offer everything to everybody.

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-02 Define competitive advantage, sustainable competitive advantage, competi

Topic : Strategic Approaches to Winning a Sustainable Competitive Advantage

Source : Chapter 01 Test Bank > MC Qu. 71 Golden Age Cinemas Inc. and HiDef Inc. are...

Louise owns a large portion of Sturdy Appliance's stock. However, she is not employed by the company. In this scenario, Louise is the company's

---

external stakeholder.

customer.

internal stakeholder.

creditor.

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 3 Hard

Learning Objective : 01-03 Assess the relationship between stakeholder strategy and sustainable compe

Topic : Stakeholders and Stakeholder Analysis

Source : Chapter 01 Test Bank > MC Qu. 29 Louise owns a large portion of Sturdy...

The amount of polyethanal that can be used in household paint is legally limited to 0.03 percent. Anything beyond this amount is hazardous to health and the environment and is considered a legal offense. Consequently, PrismPaints Corp. has vouched to make its products as safe as possible. Therefore, it manufactures polyethanal-free paints even though this increases its costs and reduces the dividends paid to its shareholders in the long run. Which of the following responsibilities is Prism Paints Corp. primarily *compromising* in this scenario?

---

ethical responsibilities toward the society

economic responsibilities toward its shareholders

philanthropic responsibilities toward the local community

legal responsibilities toward the government

**Question Details**

AACSB : Ethics

Accessibility : Keyboard Navigation

Bloom's : Apply

Difficulty : 2 Medium

Learning Objective : 01-04 Conduct a stakeholder impact analysis.

Topic : Corporate Social Responsibility and Sustainability

Source : Chapter 01 Test Bank > MC Qu. 42 The amount of polyethanal that can be used i...

Which of the following terms describes the guiding policy to address the competitive challenge, and uses corporate- and business-level strategy?

---

formulation

implementation



analysis

competitive advantage

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-05 Apply the Analysis, Formulation, Implementation (AFI) Strategy Framework.

Topic : The AFI Strategy Framework

Source : Chapter 01 Test Bank > MC Qu. 18 Which of the following terms describes the g...

Contour Inc., a vendor, regularly supplies capacitors to All Purpose Electronics for use in its products. Therefore, Contour Inc. is All Purpose Electronics'

---

shareholder.

internal stakeholder.

external stakeholder.

director.

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-03 Assess the relationship between stakeholder strategy and sustainable compe

Topic : Stakeholders and Stakeholder Analysis

Source : Chapter 01 Test Bank > MC Qu. 30 Contour Inc., a vendor, regularly supplies c...

Roberta is interested in the concept of strategy and decides to create her own. As a result, Roberta says that her strategy is to focus on competitive benchmarking to achieve competitive advantage. Which is the best evaluation of Roberta's statement?

---

Roberta should reevaluate her statement because it fails to mention more than one strategy.

Roberta's strategy is clear, but she should provide more detail.

Roberta's strategy reveals a clear strategic position and tradeoff, so she should proceed.

Roberta should reevaluate her statement because it fails to meet the principles of what a strategy should be.

**Question Details**

AACSB : Analytical Thinking

Accessibility : Keyboard Navigation

Bloom's : Evaluate

Difficulty : 2 Medium

Learning Objective : 01-01 Explain the role of strategy in a firm's quest for competitive advantage.

Topic : Sustaining a Competitive Advantage

Source : Chapter 01 Test Bank > MC Qu. 10 Roberta is interested in the concept...

Which is an accurate statement about the tasks of the AFI strategy framework?

\_\_\_\_\_

They are highly interdependent and frequently occur simultaneously.

They are distinct phases of the strategy process that happen separately.

Analysis and formulation often overlap, but implementation is usually done separately.

Formulation and implementation often overlap, but analysis is usually done separately.

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-05 Apply the Analysis, Formulation, Implementation (AFI) Strategy Framework.

Topic : The Strategic Role of Managers in Strategy Formulation and Implementation

Source : Chapter 01 Test Bank > MC Qu. 92 Which is an accurate statement about the...

Underperformance relative to other firms in the same industry or the industry average results in a(n)\_\_\_\_\_ for a firm.

\_\_\_\_\_

diseconomies of scope

sustainable competitive advantage

increased power distance

competitive disadvantage

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Remember

Difficulty : 1 Easy

Learning Objective : 01-02 Define competitive advantage, sustainable competitive advantage, competi

Topic : Competitive Advantage

Source : Chapter 01 Test Bank > MC Qu. 63 Underperformance relative to other firms in ...

\_\_\_\_\_ is best described as an integrative management field that combines analysis, formulation, and implementation in the quest for competitive advantage.

\_\_\_\_\_

Integrated technology management

Inventory management

Supply chain management

Strategic management

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Remember

Difficulty : 1 Easy

Learning Objective : 01-01 Explain the role of strategy in a firm's quest for competitive advantage.

Topic : Strategy and the Strategic Management Process

Source : Chapter 01 Test Bank > MC Qu. 51 \_\_\_\_\_ is best described as an integrative ma...

Which of the following statements about the social responsibilities of a business is accurate?

\_\_\_\_\_

Economic responsibilities are often subsumed under the idea of corporate citizenship, reflecting the notion of voluntarily giving back to society.

Shareholders mandatorily require a firm to perform its ethical, but not its philanthropic responsibilities.

Legal responsibilities are the foundational building block of a firm's social responsibility.

A firm's ethical responsibilities go beyond its legal responsibilities.

**Question Details**

AACSB : Ethics

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-04 Conduct a stakeholder impact analysis.

Topic : Corporate Social Responsibility and Sustainability

Source : Chapter 01 Test Bank > MC Qu. 47 Which of the following statements about the...

In \_\_\_\_\_, a firm frames a guiding policy to address the competitive challenge.

\_\_\_\_\_

strategy analysis

strategy formulation

strategy implementation

strategy control

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Remember

Difficulty : 1 Easy

Learning Objective : 01-01 Explain the role of strategy in a firm's quest for competitive advantage.

Topic : Strategy and the Strategic Management Process

Source : Chapter 01 Test Bank > MC Qu. 54 In \_\_\_\_\_, a firm frames a guiding policy to ...

Toy sales have declined by 10 percent each year, forcing many retailers to exit the industry. To eliminate its remaining competition, Terrific Toys sells all of its product at a loss and relies on its significant cash holdings to cover costs until its competition is forced to exit the industry. Is this an example of a successful strategy? Why or why not?

\_\_\_\_\_

No. Terrific Toys strategy and competitive advantage are unsustainable.

No. Terrific Toys has failed to create value for its customers.

Yes. Terrific Toys has achieved a sustainable competitive advantage by selling its toys at a lower price than competitors.

Yes. Any strategy that forces competition from the market is by definition successful.

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Apply

Difficulty : 2 Medium

Learning Objective : 01-02 Define competitive advantage, sustainable competitive advantage, competi

Topic : Strategic Approaches to Winning a Sustainable Competitive Advantage

Source : Chapter 01 Test Bank > MC Qu. 77 Toy sales have declined by 10 percent each y...

Tony's Pizza Shop is able to net \$10,000 a week; this makes the shop profitable. Its number one competitor, Leo's Pies, is also profitable, netting \$12,000 a week. Lil Anthony's Pizza Palace nets \$13,000 a week. Since Tony's Pizza Shop is profitable, we can conclude that it has a competitive advantage in its industry.

---

False—competitive advantage is only achieved by generating above average returns, relative to competition.

True—competitive advantage is achieved through profitability alone.

False—Tony more than likely has a sustained competitive advantage since he's been in business longer.

True—competitive advantage is achieved since Tony has a positive net income.

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-02 Define competitive advantage, sustainable competitive advantage, competi

Topic : Sustaining a Competitive Advantage

Source : Chapter 01 Test Bank > MC Qu. 11 Tony's Pizza Shop is able to net \$10,0...

The best example of a firm's external stakeholder is a(n)

shareholder who has invested money in the firm but is not employed by the firm.

board member from a wholly-owned foreign subsidiary of the firm.

government agency that regulates the prices of products manufactured by the firm.

employee of the firm who is responsible for a contract project.

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-03 Assess the relationship between stakeholder strategy and sustainable compe

Topic : Stakeholders and Stakeholder Analysis

Source : Chapter 01 Test Bank > MC Qu. 32 The best example of a firm's external ...

Which of the following stages in the AFI strategy framework involves designing a business, corporate, and global strategy?

---

strategy formulation

strategy control

strategy implementation

strategy analysis

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Remember

Difficulty : 1 Easy

Learning Objective : 01-05 Apply the Analysis, Formulation, Implementation (AFI) Strategy Framework.

Topic : The Strategic Role of Managers in Strategy Formulation and Implementation

Source : Chapter 01 Test Bank > MC Qu. 85 Which of the following stages in the AFI str...

Which of the following stages of the strategic management process involves an evaluation of a firm's external and internal environments?

---

strategy analysis

strategy formulation

strategy implementation

strategy control

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Remember

Difficulty : 2 Medium

Learning Objective : 01-01 Explain the role of strategy in a firm's quest for competitive advantage.

Topic : Strategy and the Strategic Management Process

Source : Chapter 01 Test Bank > MC Qu. 53 Which of the following stages of the strateg...

A successful strategy details a set of goal-directed actions that managers make to gain and sustain a competitive advantage; in order to create this strategy, managers must focus on three pillars. Which of the following below is *not* one of these pillars?

---

implementation

analysis

execution

formulation

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-05 Apply the Analysis, Formulation, Implementation (AFI) Strategy Framework.

Topic : The AFI Strategy Framework

Source : Chapter 01 Test Bank > MC Qu. 23 A successful strategy details a set of goal-...

In the AFI strategy framework, strategy analysis primarily involves

evaluating the effects of internal resources and core competencies on a firm's potential to gain and sustain a competitive advantage.

deciding the type of corporate governance that would be most effective in the implementation of a strategy.

designing a business, corporate, and global strategy to gain and sustain a competitive advantage.

organizing a firm in order to effectively put the formulated strategy into practice.

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-05 Apply the Analysis, Formulation, Implementation (AFI) Strategy Framework.

Topic : The Strategic Role of Managers in Strategy Formulation and Implementation

Source : Chapter 01 Test Bank > MC Qu. 83 In the AFI strategy framework, strategy anal...

Which of the following scenarios illustrates a firm that has a sustainable competitive advantage?

---

Bill and Ted Corp. was able to hold its market share of 68 percent in the social networking industry for more than three years.

Samson LLC generated revenue of \$300,000 this financial year, which is close to the industrial revenue average of \$320,000.

GoNow Inc. almost doubled its sales to 9,000 units this year compared to its previous year's sales of 5,000 units, though the industry average is 10,000 units.

Johnson Inc. was able to outperform its competitors with its new production system, in terms of revenue, for a brief period of four months.



**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-02 Define competitive advantage, sustainable competitive advantage, competi

Topic : Strategic Approaches to Winning a Sustainable Competitive Advantage

Source : Chapter 01 Test Bank > MC Qu. 61 Which of the following scenarios illustrates...

\_\_\_\_\_ responsibilities are the foundational building block in the pyramid of corporate social responsibility.

\_\_\_\_\_

Environmental

Ethical

Economic

Legal

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Remember

Difficulty : 1 Easy

Learning Objective : 01-04 Conduct a stakeholder impact analysis.

Topic : Corporate Social Responsibility and Sustainability

Source : Chapter 01 Test Bank > MC Qu. 46 \_\_\_\_\_ responsibilities are the foundational...

You are the manager in charge of setting the strategy for a new fast-casual restaurant. Which of the following questions would be appropriate for you to ask during the analysis phase of the AFI strategy framework?

\_\_\_\_\_

How have consumer preferences in the fast-casual restaurant industry changed in the last five years?

Should we open our first location in Los Angeles or New York City?

Should we be competing nationally or internationally?

Can we secure relationships with enough organic farmers to meet our commitment to using the healthiest ingredients?

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Apply

Difficulty : 2 Medium

Learning Objective : 01-05 Apply the Analysis, Formulation, Implementation (AFI) Strategy Framework.

Topic : The Strategic Role of Managers in Strategy Formulation and Implementation

Source : Chapter 01 Test Bank > MC Qu. 84 You are the manager in charge of setting the...

Which of following practices of a firm satisfies its ethical responsibilities?

\_\_\_\_\_

using plastic as the packaging material, even though it is harmful to the environment, yet legal

selling vaccines at a subsidized price in a less developed country even though this results in reduced shareholder returns

using advertising and other forms of promotion to endorse luxurious lifestyles

outsourcing production to a less developed country and paying wages that are below its own country's accepted minimum wages

**Question Details**

AACSB : Ethics

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-04 Conduct a stakeholder impact analysis.

Topic : Corporate Social Responsibility and Sustainability

Source : Chapter 01 Test Bank > MC Qu. 45 Which of following practices of a firm satis...

Which of the following is an example of competitive parity?

\_\_\_\_\_

A firm manufactures higher-quality wall clocks than its competitors.

A firm produces a similar number of wall clocks at a similar cost as its competitors.

A firm sells wall clocks at a lower price than its competitors.

A firm provides wall clocks that its consumers value more than other wall clocks.

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-02 Define competitive advantage, sustainable competitive advantage, competi

Topic : Competitive Advantage

Source : Chapter 01 Test Bank > MC Qu. 58 Which of the following is an example of comp...

John is a bit confused about the difference between stakeholders and stockholders. You meet with John and inform him that the main difference is that

---

stakeholders are both internal and external to the firm while stockholders are considered external to the firm.

stakeholders can be both internal and external while stockholders own shares of a firm and are classified as internal to the firm.

stakeholders are external to the firm while stockholders are considered internal to the firm.

stakeholders are considered internal to the firm while stockholders are external to the firm.

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 3 Hard

Learning Objective : 01-03 Assess the relationship between stakeholder strategy and sustainable compe

Topic : Stakeholders and Stakeholder Analysis

Source : Chapter 01 Test Bank > MC Qu. 15 John is a bit confused about the difference ...

Which question is asked during the implementation stage of the AFI strategy framework?

---

How does the firm anchor strategic decisions in business ethics?

How do we create share value?

Where should the firm compete in terms of geography?

Should the firm use cost leadership?

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-05 Apply the Analysis, Formulation, Implementation (AFI) Strategy Framework.

Topic : The Strategic Role of Managers in Strategy Formulation and Implementation

Source : Chapter 01 Test Bank > MC Qu. 89 Which question is asked during the...

Dimitre Corp. has been able to gain and sustain a competitive advantage due to its strong relationship with its employees, customers, suppliers, and local communities. The company believes in lifetime employment and ensures that its employees grow along with the company. Investors are more than satisfied with the returns on their investments. Also, 3 percent of the company's profit is spent on community development. With initiatives like these, customers feel privileged to associate themselves with Dimitre products. This scenario best illustrates the implementation of a

---

stakeholder strategy.

strategic analysis.

wild card event.

black swan event.

**Question Details**

AACSB : Analytical Thinking

Accessibility : Keyboard Navigation

Bloom's : Analyze

Difficulty : 3 Hard

Learning Objective : 01-03 Assess the relationship between stakeholder strategy and sustainable compe

Topic : Stakeholders and Stakeholder Analysis

Source : Chapter 01 Test Bank > MC Qu. 34 Dimitre Corp. has been able to gain and sust...

Because they are a crucial component of a firm's success, customers are considered internal stakeholders.

true

false

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Understand

Difficulty : 2 Medium

Learning Objective : 01-03 Assess the relationship between stakeholder strategy and sustainable compe

Topic : Stakeholders and Stakeholder Analysis

Source : Chapter 01 Test Bank > TF Qu. 06 Because they are a crucial component of a fi...

Who are a firm's stakeholders?

**Question Details**

AACSB : Reflective Thinking

Accessibility : Keyboard Navigation

Bloom's : Remember

Difficulty : 2 Medium

Learning Objective : 01-03 Assess the relationship between stakeholder strategy and sustainable compe

Topic : Stakeholders and Stakeholder Analysis

Source : Chapter 01 Test Bank > SA Qu. 102 Who are a firm's stakeholders?

Through a strategy's \_\_\_\_\_, a firm puts its guiding policy into practice by employing a set of coherent actions.

\_\_\_\_\_

implementation

control

formulation

analysis

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Remember

Difficulty : 1 Easy

Learning Objective : 01-01 Explain the role of strategy in a firm's quest for competitive advantage.

Topic : Strategy and the Strategic Management Process

Source : Chapter 01 Test Bank > MC Qu. 55 Through a strategy's \_\_\_\_\_, a firm puts its guiding polic...

Once a strategy has been formulated and implemented, it is important that the firm sticks to it no matter what happens.

---

true

false

**Question Details**

AACSB : Knowledge Application

Accessibility : Keyboard Navigation

Bloom's : Remember

Difficulty : 2 Medium

Learning Objective : 01-05 Apply the Analysis, Formulation, Implementation (AFI) Strategy Framework.

Topic : The Strategic Role of Managers in Strategy Formulation and Implementation

Source : Chapter 01 Test Bank > TF Qu. 05 Once a strategy has been formulated and impl...

# Answer Key

Test name: chapter 1 6e

## Short Answer

The pyramid summarizes the four components of corporate social responsibility. Economic responsibilities are the foundational building block, followed by legal, ethical, and philanthropic responsibilities. Society and shareholders require economic and legal responsibilities. Ethical and philanthropic responsibilities result from a society's expectations toward business. The pyramid of CSR symbolizes the need for firms to carefully balance their social responsibilities. Doing so ensures not only effective strategy implementation but also long-term viability.

A

Stakeholders are any organizations, groups, or individuals that can affect or be affected by a firm's actions. By reinvesting profits in growing the company, Better Capsules can provide more opportunities for employment and create value for society. This in turn lays the foundation for the benefits that successful economies can provide: education, infrastructure, public safety, health care, clean water and air, among others.

B

Strategy is a set of goal-directed actions a firm takes to gain and sustain superior performance relative to competitors.

## Short Answer

All stakeholders make specific contributions to a firm, which in turn provides different types of benefits to different stakeholders. Employees contribute their time and talents to the firm, receiving wages and salaries in exchange. Shareholders contribute capital in the hope that the stock will rise and the firm will pay dividends. Communities provide real estate, infrastructure, and public safety. In return, they expect that companies will pay taxes, provide employment, and not pollute the environment. The firm, therefore, is embedded in a multifaceted exchange relationship with a number of diverse internal and external stakeholders. If any of the stakeholders withholds participation in the firm's exchange relationships, it can have severe negative performance implications.

A

The AFI strategy framework is a model that links three interdependent strategic management tasks—analyze, formulate, and implement—that, together, help managers plan and implement a good strategy that can improve performance and result in competitive advantage.

A

A firm always has a competitive disadvantage when its return on invested capital is below the industry average.

D

A firm that achieves superior performance relative to other competitors in the same industry or the industry average has a competitive advantage.

TRUE

Strategy analysis involves consideration of both the firm's internal and external environments, and the role that strategic managers play in establishing and maintaining a competitive advantage.

A

In step 1 of stakeholder impact analysis, the firm focuses on stakeholders that currently have, or potentially can have, a material effect on a company. In step 2, the firm asks, "What are our stakeholders' interests and claims?" Managers need to specify and assess the interests and claims of the pertinent stakeholders using the power, legitimacy, and urgency criteria.

Short Answer

Student answers may vary.

Strategy is not just communicating grandiose statements like, "We are going to be the best in the industry." Audacious statements, on their own, are not linked to the AFI framework nor do they provide any managerial guidance on how a firm can achieve a competitive advantage.

Operational effectiveness, competitive benchmarking and other tactics are also not strategies. While these elements may be necessary to main efficient and effective processes, they are not sufficient in achieving competitive advantage.

D

In the first step of stakeholder impact analysis, is to identify the stakeholders.



A

Yellow Ride Service achieved a unique position in the industry by providing long-distance cab fares at a lower rate than competitors while servicing the same area as competitors. To stake out a unique position, a company must either perform the same activities as competitors in a way that is better for customers or perform different activities.

C

All stakeholders make specific contributions to a firm, which in turn provides different types of benefits to different stakeholders. The firm, therefore, is embedded in a multifaceted exchange relationship with a number of diverse internal and external stakeholders.

C

In this scenario, Dazzle Lighting maintained a sustainable competitive advantage through its innovative strategy. A firm that is able to outperform its competitors or the industry average over a prolonged period of time has a sustainable competitive advantage.

TRUE

Grandiose statements, such as the one made by the MegaFilms CEO, are not a strategy and should not be used as such. Rather, they are statements of desire. They provide little managerial guidance and often lead to goal conflict and confusion.

D

The business enterprise is first and foremost an economic institution. Investors expect an adequate return for their risk capital. Consumers expect safe products and services at appropriate prices and quality. Suppliers expect to be paid in full and on time.

A

By failing to address the competitive challenges of cloud and mobile computing, Hewlett-Packard was unable to create value for society.

B

A good strategy is about creating superior value while managing the costs of creating it or by offering similar value at a lower cost.

D

In this scenario, the two firms have gained a competitive advantage by pursuing distinct strategic positions. Cost-leadership and differentiation are distinct strategic positions. The key to successful strategy is to combine a set of activities to stake out a unique position within an industry.

D

Stakeholder impact analysis provides a decision tool with which strategic leaders can recognize, prioritize, and address the needs of different stakeholders—during each step managers must pay attention to three important stakeholder attributes: power, legitimacy, and urgency.

C

The AFI framework combines analysis, formulation, and implementation in the quest for competitive advantage.

TRUE

Stakeholder impact analysis provides a decision tool that helps strategic leaders recognize, prioritize, and address the needs of different stakeholders.

D

ForeverSpring Inc. most likely has a competitive advantage in the industry. A firm that achieves superior performance relative to other competitors in the same industry or the industry average has a competitive advantage.

D

In strategy analysis the following question is asked: *What roles do strategic leaders play, and how do they help shape a firm's vision, mission, and values?*

A

Organizational design involves deciding how the firm should organize to turn the formulated strategy into action.

D

The strategic management process follows the AFI framework; analysis, formulation and implementation.

C

In the final step of the stakeholder impact analysis, the firm asks, “What should we do to effectively address any stakeholder concerns?”

B

The Red Queen effect refers to a situation in which companies copy each other, but there are no changes in relative strategic positions.

D

Managers use the AFI framework to do two things: (1) to explain and predict differences in firm performance, and (2) to help managers formulate and implement a strategy that results in superior performance. By producing high-quality cars at a low price and thereby increasing sales, the Quest Auto firm implemented a strategy that resulted in superior performance.

A

Superior performance allows a firm to reinvest some of its profits and grow, providing more employment and career opportunities to the workforce. As a result, society is benefited.

B

Sugar & Sweet’s strategy fails to face the competitive challenge of changing consumer tastes. Instead of trying to give customers what they want by producing its own line of sparkling waters, Sugar & Sweet simply continues to produce the same sugary sodas and is likely to see its market share continue to decline.

A

Managers use the AFI strategy framework to do two things: (1) to explain and predict differences in firm performance, and (2) to help managers formulate and implement a strategy that results in superior performance.

Short Answer

Student examples will vary. A sample answer follows:

The three broad tasks of the AFI strategy framework are: (1) strategy analysis, (2) strategy formulation, and (3) strategy implementations. During strategy analysis, managers consider both the internal and external environment and how the firm's performance can produce a sustainable competitive advantage. During strategy formulation, managers devise a functional, business, and corporate strategy, determining how and where the firm should compete. During strategy implementation, managers consider how the firm should be organized to turn the formulated strategy into action, as well as how the firm's corporate governance and ethical values affect strategy implementation.

B

A formulated strategy must be backed up with strategic commitments, or actions to achieve the mission that are costly, long-term oriented, and difficult to reverse. Earth Mother Leisure Wear failed to invest in upgrading its production facilities, leaving it unable to produce its leggings at a low-enough cost to achieve a competitive advantage.

B

By emphasizing the quality and comfort of AlwaysSharp art knives, you differentiate the product and create superior value for customers. Although your knives are more expensive to make at \$2 each, the increased perceived value of your product allows you to sell them for \$7, making the difference between value creation and cost greater than your competitor's. The greater the difference between value creation and cost, the greater the firm's economic contribution and the more likely it will gain competitive advantage.

C

A manager taking care of the firm's operations in a foreign market best qualifies as the firm's internal stakeholder. A firm's internal stakeholders include stockholders, employees (including executives, managers, and workers), and board members.

FALSE

A good strategy enables a firm to achieve superior performance and sustainable competitive advantage relative to its external environment, namely its competitors in any competitive situation.

A

If a firm's return on invested capital is 2 percent in a declining industry such as telephone manufacturing, where the industry average has been negative (–5 percent) for the last few years, then the firm has a competitive advantage.

#### Short Answer

Student answers may vary.

Stakeholders include both internal groups (employees, executives, managers, stockholders, board members) and external groups (customers, suppliers, alliance partners, creditors, unions, communities, governments at various levels, and the media). It's important to create alignment between all stakeholders because of the web of exchange relationships; all of these groups have a vested interest in the success of the firm and by sacrificing their needs over the needs of only stockholders, firms may not be able to achieve competitive advantage. Stakeholder strategy allows firms to manage how both external and internal stakeholders interact to jointly create value.

A

Corporate social responsibility is a framework that helps firms recognize and address the economic, legal, ethical, and philanthropic expectations that society has of the business enterprise at a given point in time.

D

Strategic analysis, the “A” in the AFI strategy framework, includes analyzing the internal and external environments of a firm.

A

To gain a competitive advantage, a firm needs to provide either goods or services consumers value more highly than those of its competitors, or goods or services similar to the competitors' at a lower price.

B

The statement that should ideally reflect a firm's strategy for competitive advantage is “Our aim is to create superior customer value while controlling costs.” Strategy is about creating superior value, while containing the cost to create it. Grandiose statements are not strategy; they provide little managerial guidance and frequently fail to address the economic fundamentals.

D

This reflects Industrial Drills' ethical responsibility. A firm's ethical responsibilities go beyond its legal responsibilities. They embody the full scope of expectations, norms, and values of its stakeholders. Strategic leaders are called upon to do what society deems just and fair.

B

Competitors are not considered internal or external stakeholders in the firm.

A

Sean is the start-up company's stakeholder. Stakeholders have a vested claim or interest in the performance and continued survival of the firm. They can be organizations, groups, or individuals who can affect or be affected by a firm's actions.

D

The Red Queen effect involves studying and copying the competition, which results in unsuccessful efforts to gain a competitive advantage.

B

A firm's ethical responsibilities go beyond its legal responsibilities. In this case, Batt Packs had a legal responsibility to pay the fine, but its ethical responsibilities to its stakeholders required the firm to eliminate use of the controversial chemical entirely. By doing so, the firm was motivated to produce a new line of environmentally friendly products and turned a threat into an opportunity.

D

Comparing the return to the return on invested capital obtained by other firms in the industry will help determine if French Provincial Decor LLC has a competitive advantage. Competitive advantage is always relative, not absolute.

A

Nowadays Corp. demonstrates a good stakeholder strategy because it distributes only 40 percent of its annual profit after taxes to its shareholders, while the remaining is invested for further research, and distributed among employees and the local community. A core tenet of stakeholder strategy is that a single-minded focus on shareholders alone exposes a firm to undue risks.

D

As the legal owners, shareholders have the most legitimate claim on a company's profits.

## Short Answer

To identify a firm's responsibilities toward its stakeholders, scholars have advanced the notion of corporate social responsibility (CSR). This framework helps firms recognize and address the economic, legal, ethical, and philanthropic expectations that society has of the business enterprise at a given point in time. According to the CSR perspective, strategic leaders need to realize that society grants shareholders the right and privilege to create a publicly traded company. Therefore, the firm owes something to the community. CSR provides strategic leaders with a conceptual model that helps them identify society's expectations and guides strategic decision making.

D

The key to successful strategy is to combine a set of activities to stake out a unique position within an industry. Competitive advantage has to come from performing different activities or performing the same activities differently than rivals are doing.

C

For a corporate strategy, the following question is often asked: *Where should the firm compete in terms of industry, markets, and geography?*

D

A competitive parity is a performance of two or more firms at the same level.

C

Stakeholder strategy is an approach to strategy formulation that considers all of the company's stakeholders, not just its shareholders.

D

Corporate strategy involves deciding where a firm should compete, which includes industry, markets, and geography.

FALSE

Ethical and philanthropic responsibilities are expected by society, but not required. Society and shareholders require economic and legal responsibilities.

B

By adhering to the rules set by the government of Hanns, Delish is satisfying its legal responsibilities. Laws and regulations are a society's notions of right and wrong. They also establish the rules of the game.

FALSE

The three tasks of the AFI strategy framework are Analysis, Formulation, and Implementation. This framework (1) explains and predicts differences in firm performance, and (2) helps managers formulate and implement a strategy that can result in superior performance.

D

Strategic implementation, the "I" in the AFI strategy framework, includes organizing the firm (its structure, culture, and controls) to put the formulated strategy into practice.

Short Answer

Strategy is about creating superior value, while containing the cost to create it. Managers achieve this combination of value and cost through strategic positioning. That is, they stake out a unique position within an industry that allows the firm to provide value to customers, while controlling costs. The greater the difference between value creation and cost, the greater the firm's economic contribution and the more likely it will gain competitive advantage.

B

Because resources are limited, managers must carefully consider their strategic choices in the quest for competitive advantage. Trying to be everything to everybody will likely result in inferior performance.

Short Answer

Power: A stakeholder has power over a company when it can get the firm to do something that it would not otherwise do.

Legitimate claim: When a stakeholder's claim is perceived as legally valid or otherwise appropriate, that stakeholder has a legitimate claim.

Urgent claim: A stakeholder has an urgent claim when it requires a company's immediate attention and response.

Short Answer



A good strategy consists of three elements:

A diagnosis of the competitive challenge. This element is accomplished through strategy analysis of the firm's external and internal environments.

A guiding policy to address the competitive challenge. This element is accomplished through strategy formulation, resulting in the firm's corporate, business, and functional strategies.

A set of coherent actions to implement the firm's guiding policy. This element is accomplished through strategy implementation.

B

In this scenario, BuyNow Inc. has been able to provide superior value and control its costs through strategic positioning. Strategy is about creating superior value, while containing the cost to create it. Managers achieve this combination of value and cost through strategic positioning. That is, they stake out a unique position within an industry that allows the firm to provide value to customers, while controlling costs.

A

As illustrated in Exhibit 1.3, the firm is first and foremost an economic institution. Without first gaining and sustaining a competitive advantage, Solid Foundation would not have the resources to meet the rest of its legal, ethical, and philanthropic responsibilities and achieve the founder's vision of giving back to society.

D

A good strategy consists of a diagnosis of the competitive challenge, a guiding policy to address the competitive challenge, and a set of coherent actions to implement the firm's guiding policy.

A

If all firms in the same industry pursued a low-cost position through application of competitive benchmarking, all firms would have identical cost structures. None could gain a competitive advantage. There would be little if any value creation for customers because companies would have no resources to invest in product and process improvements.

C

In this scenario, OmniSignal is Green and Good Inc.'s external stakeholder. External stakeholders include customers, suppliers, alliance partners, creditors, unions, communities, media, and governments at various levels.

### Short Answer

A firm that achieves superior performance relative to other competitors in the same industry or the industry average has a competitive advantage. To gain a competitive advantage, a firm needs to provide either goods or services consumers value more highly than those of its competitors at a comparable cost, or goods or services similar to the competitors' at a lower cost. Should two or more firms perform at the same level, they have competitive parity.

### Short Answer

In strategic positioning, firms stake out a unique position within an industry that allows the firm to provide value to customers, while controlling costs. Competition focuses on creating value for customers (through lower prices or better service and selection) rather than destroying rivals. Even though two firms compete in the same industry, both can win if they have a distinct and well-executed competitive strategy.

A

In this scenario, Writer Button Inc. and Horner Inc. most likely have competitive parity with each other. Competitive parity refers to the performance of two or more firms at the same level.

### Short Answer

Competitive advantage is superior performance relative to other competitors in the same industry or the industry average. To gain a competitive advantage, a firm needs to provide either goods or services consumers value more highly than those of its competitors while keeping its costs comparable to competitors, or goods or services similar in value to the competitors' at a lower cost. The rewards of superior value creation and capture are profitability and market share. Managers achieve this combination of value and cost through strategic positioning. They stake out a unique position within an industry that allows the firm to provide value to customers, while controlling costs.

A

During strategy implementation, managers focus on the following questions: How should the firm organize to put the formulated strategy into practice? What type of corporate governance is most effective? How does the firm anchor strategic decisions in business ethics?

B

Although these companies are in the same industry, their customer segments will most likely overlap very little, and they will not be direct competitors. That is because each firm has chosen a distinct but different strategic position; both can win if they have a distinct and well-executed competitive strategy.

C

In this scenario, Louise is the company's internal stakeholder. Internal stakeholders of a firm include stockholders, employees (including executives, managers, and workers), and board members.

B

Prism Paints Corp. is primarily compromising its economic responsibilities toward its shareholders. The business enterprise is first and foremost an economic institution. Investors expect an adequate return for their risk capital. Firms must obey the law and act ethically in their quest to gain and sustain competitive advantage.

A

During the formulation stage, managers must identify the business and corporate level strategies to address all competitive challenges they face.

C

Contour Inc. is All Purpose's external stakeholder. External stakeholders include customers, suppliers, alliance partners, creditors, unions, communities, media, and governments at various levels.

D

Focusing on competitive benchmarking is not a strategy. Instead, it is a *tactic* that may help the overall strategy, but is not a strategy by itself. Strategies are a firm's overall effort to gain and sustain a competitive advantage.

A

The tasks of the AFI framework are highly interdependent and frequently occur simultaneously. Effective managers do not formulate a strategy without thinking about how to implement it. Likewise, while managers implement strategy, they also adjust to changing circumstances.

D

If a firm underperforms relative to its rivals or the industry average, it has a competitive disadvantage.

D

Strategic management is the integrative management field that combines analysis, formulation, and implementation in the quest for competitive advantage. Mastery of strategic management enables an individual to view a firm in its entirety. It also enables an individual to think like a general manager to help position their firm for superior performance.

D

A firm's ethical responsibilities go beyond its legal responsibilities. They embody the full scope of expectations, norms, and values of its stakeholders. Strategic leaders are called upon to do what society deems just and fair.

B

A good strategy includes a guiding policy to address the competitive challenge. This element is accomplished through strategy formulation, resulting in the firm's corporate, business, and functional strategies.

A

Strategy is not a zero-sum game. Competition focuses on creating value for customers rather than destroying rivals. Although Terrific Toys has created temporary value for its customers by offering its goods below cost, the advantage it achieved is unsustainable. When Terrific Toys runs out of cash to cover its operating expenses, it will no longer be able to offer its toys at such a low cost and will either be forced to raise prices or exit the industry.

A

Profitability does not necessarily equate to competitive advantage. A firm has competitive advantage when it has superior performance to other competitors in the same field.

C

The best example of a firm's external stakeholder is a government agency that regulates the prices of products manufactured by the firm. External stakeholders of a firm include customers, suppliers, alliance partners, creditors, unions, communities, media, and governments at various levels.

A

Strategy formulation involves formulating a business strategy: How should the firm compete (cost-leadership, differentiation, or integration)?; Corporate strategy: Where should the firm compete (industry, markets, and geography)?; and Global strategy: How and where (local, regional, national, and international) should the firm compete around the world?

A

A good strategy consists of a diagnosis of the competitive challenge. This element is accomplished through strategy analysis of the firm's external and internal environments.

C

The three pillars of strategy are Analysis, Formulation, and Implementation.

A

Strategy analysis involves internal analysis, that is, what effects do internal resources, capabilities, and core competencies have on the firm's potential to gain and sustain a competitive advantage?

A

A firm that is able to outperform its competitors or the industry average over a prolonged period of time has a sustainable competitive advantage. Thus, Bill and Ted Corp. has a sustainable competitive advantage because it has been able to hold its market share of 68 percent in the social networking industry for more than three years.

C

Economic responsibilities are the foundational building block, followed by legal, ethical, and philanthropic responsibilities. The business enterprise is first and foremost an economic institution.

A

During the strategy analysis phase of the AFI strategy framework, managers consider the internal and external environment, as well as the role of strategic leaders and how the firm can assess and achieve a competitive advantage. By considering recent changes in consumer tastes, you are analyzing the external environment and the effect that it will have on company performance.

B

Selling vaccines at a subsidized price in a less developed country even though this results in reduced shareholder returns satisfies a firm's ethical responsibilities. A firm's ethical responsibilities go beyond its legal responsibilities. They embody the full scope of expectations, norms, and values of its stakeholders. Strategic leaders are called upon to do what society deems just and fair.

B

Two or more firms performing at the same level have competitive parity. Therefore, a firm has competitive parity if it produces wall clocks at the same rate as its competitors.

B

Stakeholder strategy is an approach to strategy formulation that considers all of the company's stakeholders, not just its shareholders. Internal stakeholders include; employees (executives, managers, and workers), stockholders, and board members. External stakeholders include customers, suppliers, alliance partners, creditors, unions, communities, governments at various levels, and the media.

A

In the implementation stage, the following question is asked: *How does the firm anchor strategic decisions in business ethics?*

A

The scenario best illustrates the implementation of a stakeholder strategy. Stakeholder strategy is an approach to strategy formulation that considers all of the company's stakeholders, not just its shareholders.

FALSE

Internal stakeholders include employees (including executives, managers, and workers), stockholders, and board members. External stakeholders include customers, suppliers, alliance partners, creditors, unions, communities, governments at various levels, and the media.

Short Answer

Stakeholders are organizations, groups, and individuals who can affect or be affected by a firm's actions. Stakeholders have a vested claim or interest in the performance and continued survival of the firm. Stakeholders can be grouped by whether they are internal or external to a firm. All stakeholders make specific contributions to a firm, which in turn provides different types of benefits to different stakeholders.

A

A good strategy includes a set of coherent actions to implement the firm's guiding policy. This element is accomplished through implementation.

FALSE

Strategic leaders make decisions under conditions of uncertainty and complexity. They must carefully monitor and evaluate the progress toward key strategic objectives and make adjustments by fine-tuning any strategy as necessary.