

apter 1, Testbank
Course Title: Dyer, SM 2e
Chapter Number: 1

Question type: Multiple Choice

1) _____ can be best defined as when an organization generates higher profits compared to its rivals.

- a) Client advantage
- b) Competitive advantage
- c) Employer advantage
- d) Unique value

Answer: b

Difficulty: Easy

Section Reference 1: What Is Business Strategy?

Learning Objective 1: Define business strategy, including the importance of competitive advantage, the four choices that are critical to strategy formulation, and the strategic management process.

Bloomcode: Knowledge

Standard 1 : AACSB || Analytic

2) Gems Corp. is a leading jewelry brand that finds it hard to make as much profit as its competitors. In order to overcome this, the employees of Gems Corp. decide to work harder to provide unique value to customers and increase the sales of the company. After a year, it is able to make more profits than its competitors. This scenario best illustrates _____.

- a) client advantage
- b) internal analysis
- c) external analysis
- d) competitive advantage

Answer: d

Difficulty: Hard

Section Reference 1: What Is Business Strategy?

Learning Objective 1: Define business strategy, including the importance of competitive advantage, the four choices that are critical to strategy formulation, and the strategic management process.

Bloomcode: Application

Standard 1 : AACSB || Analytic

3) The industry and geographic area that a company competes in, is referred to as its _____.

- a) niche
- b) business
- c) segment
- d) market

Answer: d

Difficulty: Easy

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Bloomcode: Knowledge

Standard 1 : AACSB || Analytic

4) Adia and Ali are two business partners who want to set up a company that sells imported sports gear and equipment. In order to make sure that the company makes and retains profit, they must choose an area that is close to where their products have the highest demand. This area should allow them consistently to make profit. In this scenario, Adia and Ali are looking for a _____.

- a) market
- b) strategy
- c) cost advantage
- d) mission

Answer: a

Difficulty: Hard

Section Reference 1: What Is Business Strategy?

Learning Objective 1: Define business strategy, including the importance of competitive advantage, the four choices that are critical to strategy formulation, and the strategic management process.

Bloomcode: Application

Standard 1 : AACSB || Analytic

5) _____ can be best defined as the reason a firm wins with customers or the value proposition it offers to customers, such as a low cost advantage or differentiation advantage.

- a) Switching costs
- b) Unique value
- c) Complementary products

d) SWOT analysis

Answer: b

Difficulty: Easy

Section Reference 1: What Is Business Strategy?

Learning Objective 1: Define business strategy, including the importance of competitive advantage, the four choices that are critical to strategy formulation, and the strategic management process.

Bloomcode: Knowledge

Standard 1 : AACSB || Analytic

6) The employees of Flamingo Inc., a greeting card company, focus on providing unmatched customer satisfaction. Unlike its competitors, the employees of Flamingo take the time to listen to the needs of individual customers and design custom-made cards upon request. The customers of Flamingo state that the company provides a large variety of affordable products to choose from. The company has won many awards for providing complete customer satisfaction. In this scenario, which of the following does Flamingo Inc. provide to its customers?

- a) Backward integration
- b) Switching costs
- c) Complementary products
- d) Unique value

Answer: d

Difficulty: Hard

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Bloomcode: Application

Standard 1 : AACSB || Analytic

7) Returns in excess of what an investor expects from other investments with a similar amount of risk are referred to as _____.

- a) unique value
- b) complimentary value
- c) above-average profits
- d) above-average losses

Answer: c

Difficulty: Easy

Section Reference 1: What Is Business Strategy?

Learning Objective 1: Define business strategy, including the importance of competitive advantage, the four choices that are critical to strategy formulation, and the strategic management process.

Bloomcode: Knowledge

Standard 1 : AACSB || Analytic

8) The Mykari Publishing House invested in buying high-end machinery that allowed its newspapers to be printed at twice the speed of average printing machines. The executives of the company stated that this would increase the company's profit margin by 12% as opposed to the usual 7 to 8% that it makes annually. When the finances of the company were tallied this year, it was found that the profits increased to about 19%. This scenario best illustrates _____.

- a) return of equity
- b) above-average profits
- c) complimentary value
- d) unique value

Answer: b

Difficulty: Hard

Section Reference 1: What Is Business Strategy?

Learning Objective 1: Define business strategy, including the importance of competitive advantage, the four choices that are critical to strategy formulation, and the strategic management process.

Bloomcode: Application

Standard 1 : AACSB || Analytic

9) Which of the following is true of competitive advantage?

- a) It requires a company to consistently outperform its rivals in generating above-average profits.
- b) It should be avoided by not-for-profit organizations.
- c) It is usually achieved by firms that provide general as well as imitable products.
- d) It can be measured by using only tangible outcomes.

Answer: a

Difficulty: Medium

Section Reference 1: What Is Business Strategy?

Learning Objective 1: Define business strategy, including the importance of competitive advantage, the four choices that are critical to strategy formulation, and the strategic management process.

Bloomcode: Comprehension

Standard 1 : AACSB || Analytic

10) Which of the following statements about risks is true?

- a) Investing in a utility company that supplies power to customers, who have few alternative sources of power, can be very risky.
- b) Investors take up risks every time when they are not sure if their investments will be a gain or a loss.
- c) Investing in a stable firm is generally considered very risky even if it has a long history of profitability.
- d) Investors face very less risk when they put their money into start-up companies that try to launch products based on new technologies.

Answer: b

Difficulty: Medium

Section Reference 1: What Is Business Strategy?

Learning Objective 1: Define business strategy, including the importance of competitive advantage, the four choices that are critical to strategy formulation, and the strategic management process.

Bloomcode: Comprehension

Standard 1 : AACSB || Analytic

11) Which of the following is the main purpose of a strategic management process?

- a) Ensuring that all employees have managers and supervisors to lead their teams
- b) Creating an organization that functions systematically according to its vision, mission, and goals
- c) Creating a high-level plan that can be implemented without fierce competition and undue risk
- d) Specifying a high-level plan that an organization will employ to achieve competitive advantage

Answer: d

Difficulty: Medium

Section Reference 1: What Is Business Strategy?

Learning Objective 1: Define business strategy, including the importance of competitive advantage, the four choices that are critical to strategy formulation, and the strategic management process.

Bloomcode: Comprehension

Standard 1 : AACSB || Analytic

12) The management of Neptune Inc. creates a definite plan of action that will surely create profits for the company. It allocates and sectionalizes its machinery and personnel. The main office is moved to a prime location that helps attract customers and facilitates competitive development. This plan of action helps Neptune Inc. retain its competitive advantage and has also grow as a company. Which of the following terms does this scenario best illustrate?

- a) Strategic tools
- b) Strategic management process

- c) Functional strategy
- d) Business unit strategy

Answer: b

Difficulty: Hard

Section Reference 1: What Is Business Strategy?

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Bloomcode: Application

Standard 1 : AACSB || Analytic

13) Which of the following statements is true of external analysis?

- a) It is capable of analyzing only the threats that a company might come across.
- b) It studies the factors that influence an organization's appeal and environment.
- c) It focuses on the factors that influence employees of an organization to leave.
- d) It analyzes a firm's resources and capabilities to assess how effectively it is able to deliver unique value.

Answer: b

Difficulty: Medium

Section Reference 1: What Is Business Strategy?

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Bloomcode: Comprehension

Standard 1 : AACSB || Analytic

14) The Board of Directors of Miranay Corp. assesses and evaluates the firm's industry structure. In order to track the factors that could affect Miranay's performance, it tries to scan the industry's positive and negative trends. The Board of Directors of Miranay Corp. is involved in a(n) _____.

- a) financial analysis
- b) internal analysis
- c) external analysis
- d) profit analysis

Answer: c

Difficulty: Hard

Section Reference 1: What Is Business Strategy?

Learning Objective 1: Define business strategy, including the importance of competitive advantage, the four choices that are critical to strategy formulation, and the strategic management process.

Bloomcode: Application
Standard 1 : AACSB || Analytic

15) Which of the following statements best describes the term internal analysis?

- a) It studies the infrastructure of a company to gauge the number of employees it can recruit.
- b) It examines a company's resources and capabilities to configure a firm's ability to deliver unique value.
- c) It examines the emotions of a firm's employees in order to identify their weaknesses.
- d) It examines the efficiency of employees through the help of standardized tests and group discussions.

Answer: b

Difficulty: Medium

Section Reference 1: What Is Business Strategy?

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Bloomcode: Comprehension

Standard 1 : AACSB || Analytic

16) Ravi, a supervisor at Autumn Inc., notices that the company has been successful in outperforming its competitors in the industry and declares that the company has achieved competitive advantage. Yolanda, a manager at Autumn Inc., argues that this is not true. Which of the following strengthens Ravi's claim?

- a) Autumn Inc.'s strategy is imitable by its competitors.
- b) Autumn Inc.'s strategy can be pursued by competitors as it is not too costly.
- c) Autumn Inc. is able to outscore a superior company in the next quarter.
- d) Autumn Inc. has been consistently outperforming its rivals in generating above-average profits.

Answer: d

Difficulty: Hard

Section Reference 1: What Is Business Strategy?

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Bloomcode: Analysis

Standard 1 : AACSB || Reflective Thinking

17) The board of directors of White Corp. meets to analyze the company's competencies and scope for improvement. It also examines whether White Corp. has been able to meet its potential customers' requirements. The board of directors of White Corp. is involved in a(n) _____.

- a) external analysis
- b) financial analysis
- c) profit analysis
- d) internal analysis

Answer: d

Difficulty: Hard

Section Reference 1: What Is Business Strategy?

Learning Objective 1: Define business strategy, including the importance of competitive advantage, the four choices that are critical to strategy formulation, and the strategic management process.

Bloomcode: Application

Standard 1 : AACSB || Analytic

18) Sweetmeats Inc., a deli, produces its own grains, such as corn, wheat, rice, and oats. The employees create different types of breads without having to buy the grains from other sources. This has helped them sell their bread items to customers at much lower prices than other neighboring delis. This scenario best illustrates a(n) _____.

- a) complementary service
- b) emergent strategy
- c) unique value
- d) cost advantage

Answer: d

Difficulty: Hard

Section Reference 1: What Is Business Strategy?

Learning Objective 1: Define business strategy, including the importance of competitive advantage, the four choices that are critical to strategy formulation, and the strategic management process.

Bloomcode: Application

Standard 1 : AACSB || Analytic

19) Fashion Mart Corp., a clothing company, offers the best quality material made using the finest threads and advanced textile machinery. It offers an extended product guarantee to its customers, something that its competitors have found difficult to achieve. This guarantee claims that the clothes that Fashion Mart creates will not wear out even after 200 washes. This guarantee has helped Fashion Mart to retain its loyal customer base and to frequently get new customers. This scenario best illustrates _____.

- a) forward integration
- b) backward integration
- c) a differentiation advantage
- d) a cost advantage

Answer: c

Difficulty: Hard

Section Reference 1: What Is Business Strategy?

Learning Objective 1: Define business strategy, including the importance of competitive advantage, the four choices that are critical to strategy formulation, and the strategic management process.

Bloomcode: Application

Standard 1 : AACSB || Analytic

20) The owners of Carpo Inc., a watch company, also own a steel company and a leather goods manufacturing company. This relieves them from expenses that they would have to bear, if they had to rely on outside sources for the raw materials needed to make their watches. This enables the company to produce watches at a much lesser cost than other companies in the industry. This scenario best illustrates a _____.

- a) complementary service
- b) emergent strategy
- c) unique value
- d) cost advantage

Answer: d

Difficulty: Hard

Section Reference 1: What Is Business Strategy?

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Bloomcode: Application

Standard 1 : AACSB || Analytic

21) Which of the following is an example of a resource?

- a) An overdue
- b) A mission
- c) A patent
- d) A goal

Answer: c

Difficulty: Easy

Section Reference 1: What Is Business Strategy?

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Bloomcode: Knowledge

Standard 1 : AACSB || Analytic

22) Lavender Furniture established itself in 1965 as a small firm. It was situated on a small stretch of land located miles away from the town. Over the years, due to the high quality of its products, it acquires enough profits to own multiple assets, such as a bigger plot and machinery, recruit employees and establish itself as a brand. Which of the following is an element of the strategic management process that Lavender Furniture has acquired?

- a) Values
- b) Resources
- c) Capabilities
- d) Fame

Answer: b

Difficulty: Hard

Section Reference 1: What Is Business Strategy?

Learning Objective 1: Define business strategy, including the importance of competitive advantage, the four choices that are critical to strategy formulation, and the strategic management process.

Bloomcode: Application

Standard 1 : AACSB || Analytic

23) Appetit Corp. is a famous deli in the metropolitan city of Atika. The company became popular because of its consistency in the quality of bread it provided and its creativity in adding unique elements to create different flavors. One of Appetit's products is an infusion of peanut butter and barbeque sauce filled in a bun. Appetit Corp. also engages its customers in contests that ask them to make their own unique variety of bread, which later features among the company's products with the winner's name. All these factors have helped to create unique value that keeps its customers coming back for more. This scenario best illustrates Appetit Corp.'s _____.

- a) capabilities
- b) substitutes
- c) values
- d) resources

Answer: a

Difficulty: Hard

Section Reference 1: What Is Business Strategy?

Learning Objective 1: Define business strategy, including the importance of competitive advantage, the four choices that are critical to strategy formulation, and the strategic management process.

Bloomcode: Application

Standard 1 : AACSB || Analytic

24) A group of four people wants to start an office supply chain. They realize that if their company has to function well, they must set the primary aim for which the company has

entered that particular business. This aim will help the company function in an organized manner and provide the staff with a focus to meet their goals. Which of the following does this scenario depict?

- a) Capabilities
- b) Resources
- c) Mission
- d) Integration

Answer: c

Difficulty: Hard

Section Reference 1: What Information and Analysis Guides Strategy Formulation?

Learning Objective 1: Summarize the information that the company's mission and thorough external and internal analysis provide to guide strategy.

Bloomcode: Application

Standard 1 : AACSB || Analytic

25) Katherine is the CEO of a car dealership company called Red Cars. When looking for new investors for the company, she usually says that Red Cars wants to "Be the best automotive retailer in the eyes of its customers, employees, and shareholders." Which of the following does this statement best reflect?

- a) Red Cars' mission
- b) Red Cars' strategy
- c) Red Cars' capabilities
- d) Red Cars' resources

Answer: a

Difficulty: Hard

Section Reference 1: What Information and Analysis Guides Strategy Formulation?

Learning Objective 1: Summarize the information that the company's mission and thorough external and internal analysis provide to guide strategy.

Bloomcode: Application

Standard 1 : AACSB || Analytic

26) The management of Earth Network Inc., a cell phone company, wants to conduct an overall study of the company. The top officials want to identify Earth Network's competencies, limitations that the company needs to improve on, areas of growth, as well as the areas that the company should completely avoid. The managers feel that this study will help them advance as an organization. This study to be conducted by the management of Earth Network Inc. can be best categorized as an example of a _____.

- a) trend analysis
- b) growth-share matrix
- c) SWOT analysis
- d) PEST analysis

Answer: c

Difficulty: Hard

Section Reference 1: What Information and Analysis Guides Strategy Formulation?

Learning Objective 1: Summarize the information that the company's mission and thorough external and internal analysis provide to guide strategy.

Bloomcode: Application

Standard 1 : AACSB || Analytic

27) MindaX is a beverage manufacturing company. Despite its various promotional efforts, the company finds it difficult to get more customers. Its market analysts later determine that its price is the reason. They are sold at \$10 per liter, which makes it difficult for customers to buy this beverage frequently, so, they opt for other lower priced sodas instead. This scenario best illustrates _____.

- a) price reduction
- b) price increase
- c) price allocation
- d) price sensitivity

Answer: d

Difficulty: Hard

Section Reference 1: What Information and Analysis Guides Strategy Formulation?

Learning Objective 1: Summarize the information that the company's mission and thorough external and internal analysis provide to guide strategy.

Bloomcode: Application

Standard 1 : AACSB || Analytic

28) Summer Inc., a departmental store, wants to provide better service to its customers. This includes providing expertise in each type of product and brand. In order to accomplish this, the general manager of the store suggests that they should begin by identifying the different types of customers. By classifying customers, into various groups, such as mothers, athletes, tech-savvy customers and so on, the store's customer care personnel can specialize on detailed product information. With the help of this classification, the store is able to provide better service to each customers by offering more brands to choose from. This scenario best illustrates _____.

- a) segmentation analysis
- b) group allocation
- c) group dynamics
- d) division dynamics

Answer: a

Difficulty: Hard

Section Reference 1: What Information and Analysis Guides Strategy Formulation?

Learning Objective 1: Summarize the information that the company's mission and thorough external and internal analysis provide to guide strategy.

Bloomcode: Application

Standard 1 : AACSB || Analytic

29) The managers at Spring Hotels want to find out how their competitor, Crimson Valley Hotels, consistently outdoes them. Spring Hotels have the same facilities and equipment as Crimson Valley Hotels, but each month its efforts to reach the benchmark set by Crimson Valley Hotels fails. This is because Crimson Valley has elements such as great location, beautiful architectural design, and customer-friendly employees that create an edge over other companies in its industry. Which of the following does this scenario exemplify?

- a) Complementary products or services
- b) Resource-based view of firm
- c) Attractiveness of an industry
- d) Segmentation analysis

Answer: b

Difficulty: Hard

Section Reference 1: What Information and Analysis Guides Strategy Formulation?

Learning Objective 1: Summarize the information that the company's mission and thorough external and internal analysis provide to guide strategy.

Bloomcode: Application

Standard 1 : AACSB || Analytic

30) The executives at Purple Inc. hold a meeting where they decide the best way to showcase their products. They have a brainstorming session to identify the best geographical areas to conduct business that will bring them maximum profits. They also identify their competitors and decide whether they would be able to withstand top companies selling similar products. The executives at Purple Inc. are discussing a(n) _____.

- a) emergent strategy
- b) functional strategy
- c) business unit strategy
- d) corporate strategy

Answer: d

Difficulty: Hard

Section Reference 1: How Are Strategies Formulated?

Learning Objective 1: Discuss how strategies are formulated and implemented in order to achieve objectives.

Bloomcode: Application

Standard 1 : AACSB || Analytic

31) SunLite Corp. runs fitness centers which are owned by the parent company Cyan Inc. Ryan, the manager of Cyan Inc., needs to decide on how to overcome competition by other fitness centers. He finally decides to bring in advanced facilities, such as imported gym equipment, to give faster results and keep SunLite centers open for patrons 24x7. Ryan feels that this will allow the company to gain more profits. This scenario best illustrates a _____.

- a) business unit strategy
- b) functional strategy
- c) emergent strategy
- d) strategy vehicle

Answer: a

Difficulty: Hard

Section Reference 1: How Are Strategies Formulated?

Learning Objective 1: Discuss how strategies are formulated and implemented in order to achieve objectives.

Bloomcode: Application

Standard 1 : AACSB || Analytic

32) Sheng, the CEO of Mirrorz Inc., comes up with a plan to implement business unit strategies successfully. He decides to do this by making technical advancements in the manufacturing process of the products and developing a solid financial system run by an efficient team. He also plans to establish a marketing team that would sell to people who would not normally buy the product. The ultimate mission of the company would be to provide a customer friendly environment. The plan initiated by Sheng can be best categorized as a(n) _____.

- a) segmentation analysis
- b) emergent strategy
- c) functional strategy
- d) business unit strategy

Answer: c

Difficulty: Hard

Section Reference 1: How Are Strategies Formulated?

Learning Objective 1: Discuss how strategies are formulated and implemented in order to achieve objectives.

Bloomcode: Application

Standard 1 : AACSB || Analytic

33) Femi, the founder of Pluto Inc., feels that the company has been able to continuously maintain competitive advantage due to the plans of action she initiated years ago. The plan involved establishing and maintaining contacts with influential business personnel, amicably taking over small companies that would help bringing in profits for Pluto Inc., and creating

raw materials from scratch rather than buying from other companies. This type of planning is an example of _____.

- a) resource pools
- b) corporate think tanks
- c) strategic vehicles
- d) functional vehicles

Answer: c

Difficulty: Hard

Section Reference 1: How Are Strategies Formulated?

Learning Objective 1: Discuss how strategies are formulated and implemented in order to achieve objectives.

Bloomcode: Application

Standard 1 : AACSB || Analytic

34) The top executives of Willow Inc., a furniture company, have decided what markets to compete in. Willow Inc. now has to adopt a set of organizational processes that enables it to effectively carry out these decisions. In order to translate these decisions into organizational action in a successful manner, the functional activities of the company are being measured for their efficacy to support organizational decisions. Which of the following does this scenario best illustrate?

- a) Strategy implementation
- b) Strategy vehicles
- c) Emergent strategy
- d) Business unit strategy

Answer: a

Difficulty: Hard

Section Reference 1: How Are Strategies Formulated?

Learning Objective 1: Discuss how strategies are formulated and implemented in order to achieve objectives.

Bloomcode: Application

Standard 1 : AACSB || Analytic

35) The board of directors of Indigo Bank implements a sound strategy that will help them gain overall profits and maintain competitive advantage. It claims that supervising and measuring the efficacy of the functional strategies of the company are more than sufficient to implement the company's strategies. However, Klark, one of the board members, argues that this alone is not enough and that the company should think of creating an emotional appeal toward its employees. Which of the following statements strengthens Klark's argument?

- a) The employees of Indigo Bank are content with the current culture of the organization.
- b) The board of directors feels that creating an informal environment will initiate a high level of absenteeism.

- c) The board of directors feels that Indigo Bank is functioning efficiently because the top executives make it a point to maintain an authoritarian distance from their subordinates.
- d) Indigo Bank's structure, systems, staff, skills, style, and shared values will help progress strategic implementation if they are designed to facilitate the execution of the strategy.

Answer: d

Difficulty: Hard

Section Reference 1: How Are Strategies Formulated?

Learning Objective 1: Discuss how strategies are formulated and implemented in order to achieve objectives.

Bloomcode: Analysis

Standard 1 : AACSB || Reflective Thinking

36) Sasha has the new responsibility of initiating strategies that would help safeguarding her company against recession. She conducts a meeting with all the employees in which she explains how she would go about implementing her plans. She also motivates and encourages employees to follow through with her plan. Sasha is a _____.

- a) strategic follower
- b) strategic leader
- c) strategic helper
- d) strategic believer

Answer: b

Difficulty: Hard

Section Reference 1: Who Is Responsible for Business Strategy?

Learning Objective 1: Explain who is responsible for, and who benefits from, good business strategy.

Bloomcode: Application

Standard 1 : AACSB || Analytic

37) The managers at Marker Inc., a movers and packers company, wants to formulate a plan of action to implement their mission, "We deliver what we promise. Always." To achieve this, the company chooses the best markets to invest in, buys state-of-the-art transportation vehicles, employs spill and damage proof style of packaging equipment, and develops a service-oriented mentality. This method of conducting business earns them a reputation. This scenario is an example of _____.

- a) deliberate strategy
- b) accidental strategy
- c) emergent strategy
- d) evolving strategy

Answer: a

Difficulty: Hard

Section Reference 1: Who Is Responsible for Business Strategy?

Learning Objective 1: Explain who is responsible for, and who benefits from, good business strategy.

Bloomcode: Application

Standard 1 : AACSB || Analytic

38) The management of Winters Corp., a small company, pursued an unexpected opportunity and gained huge profits over a period of 10 years. At the end of this period, Winters Corp. grew as a company and successfully established itself as a highly valued brand in the industry. This is an example of a(n) _____.

- a) functional strategy
- b) accidental strategy
- c) emergent strategy
- d) deliberate strategy

Answer: c

Difficulty: Hard

Section Reference 1: Who Is Responsible for Business Strategy?

Learning Objective 1: Explain who is responsible for, and who benefits from, good business strategy.

Bloomcode: Application

Standard 1 : AACSB || Analytic

39) Thomas is an important figure at Seasons Inc. All of the company's functions, acquisitions, marketing strategies, and business development plans need to partially receive approval from Thomas. This is due to the fact that Thomas owns 20% of Seasons Inc. In this scenario, Thomas is a _____.

- a) supplier
- b) stakeholder
- c) customer
- d) distributor

Answer: b

Difficulty: Hard

Section Reference 1: Who Is Responsible for Business Strategy?

Learning Objective 1: Explain who is responsible for, and who benefits from, good business strategy.

Bloomcode: Application

Standard 1 : AACSB || Analytic

40) Ria, an entrepreneur, shares the company's profits as well as losses. She usually receives highest priority from the company. In this scenario, Ria is a _____.

- a) distributor
- b) customer
- c) shareholder
- d) stakeholder

Answer: c

Difficulty: Hard

Section Reference 1: Who Is Responsible for Business Strategy?

Learning Objective 1: Explain who is responsible for, and who benefits from, good business strategy.

Bloomcode: Application

Standard 1 : AACSB || Analytic

41) The goal of a strategic business plan is to _____.

- a) create competitive advantage
- b) create a monopolistic market
- c) improve employee morale
- d) drive competitors out of business

Answer: a

Difficulty: Medium

Section Reference 1: What Is Business Strategy?

Learning Objective 1: Define business strategy, including the importance of competitive advantage, the four choices that are critical to strategy formulation, and the strategic management process.

Bloomcode: Comprehension

Standard 1 : AACSB || Analytic

42) Identify the first decision a company has to make as part of its business strategy.

- a) Choose a market in which to compete.
- b) Choose a competitor to compete with.
- c) Decide what unique value to offer to customers.
- d) Decide ways to maintain a competitive advantage.

Answer: a

Difficulty: Medium

Section Reference 1: What Is Business Strategy?

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Bloomcode: Comprehension

Standard 1 : AACSB || Analytic

43) Delivering unique value requires _____.

- a) improving employee satisfaction
- b) investing in a stable firm with a long history of profitability, such as a utility company that supplies power to customers with few choices
- c) developing resources and capabilities that allow a company to perform activities better than competitors
- d) producing more products than rivals

Answer: c

Difficulty: Medium

Section Reference 1: What Is Business Strategy?

Learning Objective 1: Define business strategy, including the importance of competitive advantage, the four choices that are critical to strategy formulation, and the strategic management process.

Bloomcode: Comprehension

Standard 1 : AACSB || Analytic

44) In the context of a firm, resources refer to the _____.

- a) assets that the firm accumulates over time, such as plants, equipment, land, brands, patents, cash, and people
- b) processes or recipes the firm develops to coordinate human activity to achieve specific goals
- c) investor's uncertainty about the profits or losses that will result from a particular investment
- d) advantages that firms have over their competitors in the activities associated with producing a product or service

Answer: a

Difficulty: Medium

Section Reference 1: What Is Business Strategy?

Learning Objective 1: Define business strategy, including the importance of competitive advantage, the four choices that are critical to strategy formulation, and the strategic management process.

Bloomcode: Comprehension

Standard 1 : AACSB || Analytic

45) In the context of a firm, capabilities refers to _____.

- a) processes the firm develops to coordinate human activity to achieve specific goals
- b) assets that the firm accumulates over time, such as plants, equipment, and people
- c) its focus on offering features, quality, convenience, or image that customers cannot get from competitors

d) a company's primary purpose that often specifies the business in which the firm intends to compete

Answer: a

Difficulty: Medium

Section Reference 1: What Is Business Strategy?

Learning Objective 1: Define business strategy, including the importance of competitive advantage, the four choices that are critical to strategy formulation, and the strategic management process.

Bloomcode: Comprehension

Standard 1 : AACSB || Analytic

46) Identify a true statement about the role of external analysis in creating a business strategy.

- a) It involves standardized surveys to gauge employee satisfaction.
- b) It involves an examination of the competition and the forces that shape industry competition and profitability.
- c) It involves the examination of a company's set of resources and capabilities that can be deployed to deliver unique value to customers.
- d) It involves the study of a firm's operational practices to improve efficiency.

Answer: b

Difficulty: Medium

Section Reference 1: What Information and Analysis Guides Strategy Formulation?

Learning Objective 1: Summarize the information that the company's mission and thorough external and internal analysis provide to guide strategy.

Bloomcode: Comprehension

Standard 1 : AACSB || Analytic

47) Which of the following statements is true of the resource-based view of a firm?

- a) It analyzes the factors that influence an organization's appeal and environment.
- b) It was developed to make an inventory of the resources available in a company.
- c) It was developed to explain why some firms outperform other firms in the same industry.
- d) It examines the efficiency of employees through standardized tests and group discussions.

Answer: c

Difficulty: Medium

Section Reference 1: What Information and Analysis Guides Strategy Formulation?

Learning Objective 1: Summarize the information that the company's mission and thorough external and internal analysis provide to guide strategy.

Bloomcode: Comprehension

Standard 1 : AACSB || Analytic

48) Identify a true statement about corporate strategy.

- a) It refers to decisions made at the level of the strategic business unit about how to gain and sustain advantage.
- b) It refers to decisions about how to effectively implement the business unit strategy within functional areas.
- c) It refers to decisions about activities and strategic choices, such as make versus buy, acquisitions, and strategic alliances.
- d) It refers to decisions that are made by senior executives about where to compete in terms of industries and markets.

Answer: d

Difficulty: Medium

Section Reference 1: How Are Strategies Formulated?

Learning Objective 1: Discuss how strategies are formulated and implemented in order to achieve objectives.

Bloomcode: Comprehension

Standard 1 : AACSB || Analytic

49) Which of the following statements is true of business unit strategy?

- a) It refers to decisions made at the level of the strategic business unit about how to gain and sustain advantage.
- b) It refers to decisions about how to effectively implement the business unit strategy within functional areas.
- c) It refers to decisions at the corporate level of organization about how to improve a firm's ability to recruit more resources.
- d) It refers to decisions that are made by senior corporate executives about what markets to compete in.

Answer: a

Difficulty: Medium

Section Reference 1: How Are Strategies Formulated?

Learning Objective 1: Discuss how strategies are formulated and implemented in order to achieve objectives.

Bloomcode: Comprehension

Standard 1 : AACSB || Analytic

50) Identify a true statement about a functional strategy.

- a) It refers to decisions made at the level of the strategic business unit about how to gain and sustain advantage.
- b) It refers to decisions about how to effectively implement the business unit strategy within functional areas.
- c) It refers to decisions about functional activities and strategic choices such as make versus buy.

d) It refers to decisions that are made by senior corporate executives about what markets to compete in.

Answer: b

Difficulty: Medium

Section Reference 1: How Are Strategies Formulated?

Learning Objective 1: Discuss how strategies are formulated and implemented in order to achieve objectives.

Bloomcode: Comprehension

Standard 1 : AACSB || Analytic

51) The final step in a strategic management process is to _____.

- a) formalize a company's mission statement
- b) analyze customer needs and preferences
- c) find strategy vehicles that help a firm enter attractive markets
- d) implement the strategy chosen during the strategy formulation process

Answer: d

Difficulty: Medium

Section Reference 1: How Are Strategies Formulated?

Learning Objective 1: Discuss how strategies are formulated and implemented in order to achieve objectives.

Bloomcode: Comprehension

Standard 1 : AACSB || Analytic

52) Which of the following statements is true of strategic leaders?

- a) They are responsible only for formulating a business strategy.
- b) They are responsible for explaining strategy in a way that employees will understand.
- c) They are usually the owners of a company.
- d) They are involved in investing in stable firms with a long history of profitability.

Answer: b

Difficulty: Medium

Section Reference 1: Who Is Responsible for Business Strategy?

Learning Objective 1: Explain who is responsible for, and who benefits from, good business strategy.

Bloomcode: Comprehension

Standard 1 : AACSB || Analytic

53) Which of the following statements is true of a deliberate strategy?

- a) It is implemented as a result of careful analysis of markets, customers, competitors, and a firm's resources and capabilities.
- b) It develops when leaders recognize and act on unexpected opportunities that occur through serendipity.
- c) It involves decisions on how to effectively implement the business unit strategy within functional areas.
- d) It focuses on decisions about how to motivate employees to perform their work efficiently.

Answer: a

Difficulty: Medium

Section Reference 1: Who Is Responsible for Business Strategy?

Learning Objective 1: Explain who is responsible for, and who benefits from, good business strategy.

Bloomcode: Comprehension

Standard 1 : AACSB || Analytic

54) Which of the following statements is true of the strategies of successful companies?

- a) They are wholly deliberate due to effective strategic planning processes.
- b) They are solely a result of obtaining ideas from within the firm.
- c) They are partly deliberate and partly emergent.
- d) They are partly established by the owners of the company.

Answer: c

Difficulty: Medium

Section Reference 1: Who Is Responsible for Business Strategy?

Learning Objective 1: Explain who is responsible for, and who benefits from, good business strategy.

Bloomcode: Comprehension

Standard 1 : AACSB || Analytic

55) Identify a capital market stakeholder from the following choices.

- a) Banks
- b) Customers
- c) Suppliers
- d) Government bodies

Answer: a

Difficulty: Medium

Section Reference 1: Who Is Responsible for Business Strategy?

Learning Objective 1: Explain who is responsible for, and who benefits from, good business strategy.

Bloomcode: Comprehension

Standard 1 : AACSB || Analytic

Question type: Text Entry

56) An advantage that a firm has over its competitors in the activities associated with producing a product or service, thereby allowing it to produce the same product at lower cost best defines the term ____.

Answer: cost advantage

Difficulty: Easy

Section Reference 1: What Is Business Strategy?

Learning Objective 1: Define business strategy, including the importance of competitive advantage, the four choices that are critical to strategy formulation, and the strategic management process.

Bloomcode: Knowledge

Standard 1 : AACSB || Analytic

57) A company's primary purpose that often specifies the business or businesses in which the firm intends to compete—or the customers it intends to serve—refers to its ____.

Answer: mission

Difficulty: Easy

Section Reference 1: What Information and Analysis Guides Strategy Formulation?

Learning Objective 1: Summarize the information that the company's mission and thorough external and internal analysis provide to guide strategy.

Bloomcode: Knowledge

Standard 1 : AACSB || Analytic

Question type: Essay

58) What is the first decision that a company which is developing a strategic management process must make when it is initiated?

Answer:

Difficulty: Easy

Section Reference 1: What Is Business Strategy?

Learning Objective 1: Define business strategy, including the importance of competitive advantage, the four choices that are critical to strategy formulation, and the strategic management process.

Bloomcode: Knowledge

Standard 1 : AACSB || Analytic

Solution: In a strategic management process, one of the first decisions a company must make is which markets it will serve.

59) What is the next step in the strategic management process that a company should take after identifying prospective markets?

Answer:

Difficulty: Easy

Section Reference 1: What Is Business Strategy?

Learning Objective 1: Define business strategy, including the importance of competitive advantage, the four choices that are critical to strategy formulation, and the strategic management process.

Bloomcode: Knowledge

Standard 1 : AACSB || Analytic

Solution: The next step in the strategic management process after identifying prospective markets is attempting to decide what unique value is to be offered in those markets.

60) What does the term cost advantage mean?

Answer:

Difficulty: Easy

Section Reference 1: What Is Business Strategy?

Learning Objective 1: Define business strategy, including the importance of competitive advantage, the four choices that are critical to strategy formulation, and the strategic management process.

Bloomcode: Knowledge

Standard 1 : AACSB || Analytic

Solution: It is an advantage that a firm has over its competitors in the activities associated with producing a product or service, thereby allowing it to produce the same product at lower cost.

61) Define business strategy and the four strategic choices it involves.

Answer:

Difficulty: Easy

Section Reference 1: What Is Business Strategy?

Learning Objective 1: Define business strategy, including the importance of competitive advantage, the four choices that are critical to strategy formulation, and the strategic management process.

Bloomcode: Knowledge

Standard 1 : AACSB || Analytic

Solution: A company's business strategy is defined as a company's plan to gain, and sustain competitive advantage in the marketplace. This plan is based on the theory its leaders have about how to succeed in a particular market. This theory involves predictions of which markets are attractive and how a company can offer unique value to customers in those markets in a way that won't be easily imitated by competitors. As such, a business strategy

plan to achieve competitive advantage involves making four strategic choices: (1) markets to compete in; (2) unique value the firm will offer in those markets; (3) the resources and capabilities required to offer that unique value better than competitors; and (4) ways to sustain the advantage by preventing imitation.

62) What does it mean to provide unique value? Briefly explain the two strategies involved in providing unique value.

Answer:

Difficulty: Easy

Section Reference 1: What Is Business Strategy?

Learning Objective 1: Define business strategy, including the importance of competitive advantage, the four choices that are critical to strategy formulation, and the strategic management process.

Bloomcode: Knowledge

Standard 1 : AACSB || Analytic

Solution: Unique value is the reason a firm wins with customers or the value proposition it offers to customers, such as a low cost advantage or differentiation advantage. This is often referred to as a company's value proposition, or the value that it proposes to offer to customers. Companies typically try to achieve a competitive advantage by choosing between one of two generic strategies for offering unique value: low cost or differentiation. A firm that chooses a low-cost strategy focuses on reducing its costs below those of its competitors. Key sources of cost advantage include economies of scale, lower-cost inputs, or proprietary production know-how. A firm that chooses a differentiation strategy focuses on offering features, quality, convenience, or image that customers cannot get from competitors.

63) Briefly explain SWOT analysis.

Answer:

Difficulty: Easy

Section Reference 1: What Information and Analysis Guides Strategy Formulation?

Learning Objective 1: Summarize the information that the company's mission and thorough external and internal analysis provide to guide strategy.

Bloomcode: Knowledge

Standard 1 : AACSB || Analytic

Solution: SWOT analysis is a strategic planning method used to evaluate the strengths, weaknesses, opportunities, and threats involved in a business. External analysis involves: (1) an examination of the competition and the forces that shape industry competition and profitability; and (2) customer analysis to understand what customers really want. The combined results of external analysis with internal analysis of the firm are often summarized as a SWOT analysis. SWOT is an acronym for Strengths, Weaknesses, Opportunities, and Threats. External analysis is particularly useful for shedding light on the latter two: opportunities and threats.

64) Explain the significance of internal analysis.

Answer:

Difficulty: Medium

Section Reference 1: What Information and Analysis Guides Strategy Formulation?

Learning Objective 1: Summarize the information that the company's mission and thorough external and internal analysis provide to guide strategy.

Bloomcode: Comprehension

Standard 1 : AACSB || Analytic

Solution: Internal analysis focuses on the company itself. Internal analysis completes the SWOT (Strengths, Weaknesses, Opportunities, and Threats) by focusing on strengths and weaknesses. More formally, internal analysis involves an analysis of the company's set of resources and capabilities that can be deployed—or should be developed—to deliver unique value to customers.

In the 1980s, the resource-based view of the firm, also known as the resource-based model, was developed to explain why some firms outperform other firms within the same industry. Firms that do not have the resources and capabilities that are necessary to implement the strategies they are contemplating, may need to improve, change, or possibly create them in order to offer unique value to their customers. This is where resource allocation becomes an important dimension of strategy. Once a company decides how it hopes to offer unique value, it must allocate the resources necessary to build those resources or capabilities.

65) List the four primary stakeholder groups and give explanations for each.

Answer:

Difficulty: Medium

Section Reference 1: Who Is Responsible for Business Strategy?

Learning Objective 1: Explain who is responsible for, and who benefits from, good business strategy.

Bloomcode: Comprehension

Standard 1 : AACSB || Analytic

Solution: Every organization has a set of stakeholders to whom it is accountable—and who therefore can influence business strategies. Organizations have four primary stakeholder groups:

- 1) Capital market stakeholders (shareholders, banks, etc.)
- 2) Product market stakeholders (customers, suppliers)
- 3) Organizational stakeholders (employees)
- 4) Community stakeholders (communities, government bodies, community activists).

Stakeholders are those who have a share or an interest in the activities and performance of an organization. Shareholders are the owners of a company. Some people believe that shareholders (owners of the company) are the most important. Others make the case that customers, employees, governments, or communities should be the primary beneficiaries of business activity. Each stakeholder group can influence the strategic decisions that are made by a company. Sometimes, different stakeholder groups have conflicting views as to the appropriateness of different strategic decisions. Imagine that your company can lower its product costs by closing down your plants in the United States and moving production to

China, where labor is cheaper. This will require firing many of your U.S. employees. Both the employee stakeholder group and community stakeholder groups in the cities where your plants are located will perceive this move as negative, and they will try to stop the company from making this decision. However, shareholders and customer stakeholder groups may applaud this decision. It could increase profits for shareholders and lower prices for customers, or both. Because of conflicts like this, companies need to make sure their strategic actions follow accepted ethical standards for business activity. Since stakeholders influence, and are influenced by, strategic decisions made by a company's management team, it is important to understand and consider the needs of different stakeholder groups when making strategic decisions.