ch02

Student: ____

1. Gathering "competitive intelligence"
   A. is good business practice.
   B. is illegal.
   C. is considered unethical.
   D. minimizes the need to obtain information in the public domain.

2. Two key inputs to developing forecasts discussed in the text are
   A. environmental scanning and stakeholder identification.
   B. environmental scanning and competitor intelligence.
   C. assessing internal strengths and environmental scanning.
   D. environmental scanning and a SWOT analysis.

3. _____ tracks the evolution of environmental trends, sequences of events, or streams of activities.
   A. Environmental scanning
   B. Environmental monitoring
   C. Environmental surveying
   D. Competitive intelligence

4. Environmental forecasting involves developing plausible projections about the _____ of environmental change.
   A. direction, scope, speed, and intensity
   B. type and magnitude
   C. competitive rivalry
   D. severity and rivalry

5. A SWOT analysis includes listing
   A. strategies, opportunities, and tactics
   B. strategies, opportunities, and threats
   C. strengths, opportunities, and tactics
   D. strengths, opportunities, and threats

6. A danger of forecasting discussed in the text is that
   A. in most cases, the expense of collecting the necessary data exceeds the benefit
   B. forecasting's retrospective nature provides little information about the future
   C. managers may view uncertainty as "black and white" while ignoring important "grey areas"
   D. it can create legal problems for the firm if regulators discover the company is making forecast

7. The aging of the population, changes in ethnic composition, and effects of the baby boom are
   A. macroeconomic changes.
   B. demographic changes.
   C. global changes.
   D. sociocultural changes.

8. Increasingly larger numbers of women entering the work force since the early 1970s is an example of
   A. demographic changes.
   B. political and legal environmental changes.
   C. sociocultural changes.
   D. technological developments.

9. Which of the following would be considered part of a firm's general environment?
   A. Decreased entry barriers
   B. Increased trade deficit
   C. Increased bargaining power of the firm's suppliers
   D. Increased competitive intensity

10. Emerging sociocultural changes in the environment include
   A. changes in the ethnic composition.
   B. the increasing educational attainment of women in the past decade.
   C. progressively less disposable income by consumers.
   D. changes in the geographic distribution of the population.

11. When the US congress passed the Sarbanes-Oxley Act in 2002
   A. Canada deregulated the associations
   B. no similar Canadian legislation was developed
   C. Canada followed with similar provisions
   D. the provincial governments developed similar laws

12. In the Air Canada-WestJet conflict, the issue is
   A. Air Canada claims its employee website was hacked
   B. WestJet claims its employee website was hacked
   C. Air Canada claims its email was stolen
   D. Air Canada claims WestJet used employee access information to obtain flight info

13. Interest rate increases have a _____ impact on the residential home construction industry and a _____ effect on industries that produce consumer necessities such as prescription drugs or basic grocery items.
   A. positive; neutral
   B. negative; neutral
   C. negative; positive
   D. positive; negative

14. Which is considered a force in the "Five Forces model"?
   A. Increased deregulation in an industry
   B. The threat of government intervention
   C. Rivalry among competing firms
   D. Recent technological innovation

15. A large fabricator of building components purchased a steel company to provide raw materials for its production process. This is an example of
   A. backward integration.
   B. economies of scale.
   C. forward integration.
   D. product differentiation.

16. An independent group of suppliers, such as farmers, gather to form a cooperative to sell their products to buyers directly, replacing their former distributor. This is an example of
   A. threat of entry.
   B. backward integration.
   C. forward integration.
   D. threat of substitute products.

17. The threat of new entrants is high when there are
   A. low economies of scale.
   B. high capital requirements.
   C. high switching costs.
   D. high differentiation among competitors' products and services.

18. Which of the following would be an entry barrier?
    A. Large economies of scale
    B. Low switching costs
    C. Easy access to raw materials
    D. Low capital requirements

19. Which of the following firms would likely pose the *least* competitive threat?
    A. A firm in the same industry and in the same strategic group
    B. A firm that produces substitute goods to your product line
    C. A competitor to your product where a high switching cost exists
    D. A firm in the same industry and in the nearest strategic group looking to join your group

20. Rivalry between the firms Air Canada and WestJet
    A. is characterized as distractive.
    B. includes allegations that Air Canada set up a screen-scraper program to automatically lift data.
    C. includes allegations that Westjet sent investigators to pilfer an Air Canada Executive's garbage looking for data.
    D. is an example of a low level of competitive rivalry.

21. Buyer power will be greater when
    A. the products purchased are highly differentiated.
    B. there are high switching costs.
    C. the industry's product is very important to the quality of the buyer's end products or services.
    D. it is concentrated on purchasing large volumes relative to seller sales.

22. The bargaining power of suppliers increases as
    A. more suppliers enter the market.
    B. importance of buyers to supplier group increases.
    C. switching costs for buyers decrease.
    D. threat of forward integration by suppliers increases.

23. In Porter's Five Forces model, conditions under which a supplier group can be powerful include all the following *except*
    A. lack of importance of the buyer to the supplier group.
    B. high differentiation by the supplier.
    C. dominance by a few suppliers.
    D. readily available substitute products.

24. A supplier group would be most powerful when there is/are
    A. many suppliers.
    B. few substitute products.
    C. low differentiation of products supplied.
    D. high threat of backward integration by the buyers.

25. Threat of substitute products comes from
    A. other companies in the same industry.
    B. foreign companies which can use cheap labour in their countries.
    C. firms in other industries that produce products or services that satisfy the same customer need.
    D. partners and affiliates.

26. When considering strategic groups within industries, Canadian retailer Holt Renfrew is described as
    A. a high growth industry with low fixed costs
    B. similar to Canadian Tire
    C. a prestigious upscale player
    D. a competitor of Wal-Mart

27. Exit barriers may arise from
    A. flexible assets with alternative uses.
    B. lack of governmental and social pressures.
    C. strategic competitors
    D. concerns about image.

28. The general and competitive environments
    A. are independent and dynamic over time.
    B. tend to be interrelated and dynamic over time.
    C. have similar impact on organizations of different industries.
    D. are independent and static over time.

29. Delayed marriages, fewer people in relevant age groups, and rising interest rates dampening demand for houses illustrates
    A. that more than one segment of the general environment may affect an industry.
    B. that the global environment is not as powerful an influence as thought.
    C. that macroeconomic forces dominate the general environment.
    D. that the competitive environment often has a strong influence on the general environment.

30. Which of the following best demonstrates the interrelationships among different segments of the general environment?
    A. A new technology results in the development of a substitute product for your firm's product.
    B. Government deregulation results in different firms being able to offer the same product as your firm.
    C. The recession results in several of your competitors cutting prices and intensifying rivalry.
    D. Increased concern for the environment results in legislation that impacts your current packaging.

31. Which of the following is an example of the interrelationship between the general and competitive environments?
    A. A decline in a nation's educational standards results in a decline in the nation's productivity
    B. A country's technological inferiority results in its enactment of strong trade barriers against importation
    C. Increased awareness of personal health leads to lower demand, and greater rivalry in the alcoholic beverages industry
    D. Greater awareness of the environment results in environmental legislation

32. In the value-net analysis, complementors are
    A. firms that produce substitute products.
    B. customers who compliment the company for their good products and services.
    C. firms that produce products or services that have a positive impact on the value of a firm's products or services.
    D. firms that supply critical inputs to a company.

33. Strategic groups consist of
    A. a group of top executives who make strategies for a company.
    B. a group of firms within an industry that follow similar strategies.
    C. a group of executives drawn from different companies within an industry that makes decisions on industry standards.
    D. a group of firms within an industry that decide to collude rather than compete with each other so that they can increase their profits.

34. Which of the following statements about strategic groups is false?
    A. Two assumptions are made: (1) no two firms are totally different, (2) no two firms are exactly the same.
    B. Strategic groupings are of little help to a firm in assessing mobility barriers that protect a group from attacks by other groups.
    C. Strategic groups help chart the future directions of firms' strategies.
    D. Strategic groups are helpful in thinking through the implications of each industry trend for the group as a whole.

35. Environmental scanning and competitor intelligence provide important inputs for forecasting activities.
True False

36. Environmental monitoring deals with tracking changes in environmental trends that are often uncovered during the environmental scanning process.
True False

37. Competitor Intelligence (CI) is a tool that can provide management with "early warnings" about both threats and opportunities.
True False

38. Competitor Intelligence gathering is no different from spying.
True False

39. Competitive intelligence generally does not benefit very much from gathering information on competitors from sources in the public domain.
True False

40. The same environmental trend can often have very different effects on firms within the same industry.
True False

41. Although changes in the general environment may often adversely or favorably impact a firm, they seldom alter an entire industry.
True False

42. Scenario analysis draws on a range of disciplines and interests.
True False

43. Technological innovations can create entirely new industries and alter the boundaries of industries.
True False

44. Porter's five forces model is designed to help us understand how social attitudes and cultural values impact U.S. businesses.
True False

45. Porter's five forces model helps to determine both the nature of competition in an industry and the industry's profit potential.
True False

46. In some industries, high switching costs can act as an important barrier to entry.
True False

47. Industries characterized by high economies of scale typically attract fewer new entrants.
True False

48. The power of a buyer group is increased if the buyer group has less concentration than the supplier group.
True False

49. Buyer power tends to be higher if suppliers provide undifferentiated or standard products.
True False

50. Supplier power tends to be highest in industries where products are vital to buyers, where switching from one supplier to another is very costly, and where there are many suppliers.
True False

51. The power of suppliers will be enhanced if they are able to maintain a credible threat of forward integration.
True False

52. The more attractive the price/performance ratio of substitute products, the more tightly it constrains an industry's ability to charge high prices.
True False

53. Rivalry is most intense when there are high exit barriers and high industry growth.
True False

54. Rival airlines, Air Canada and West Jet are battling over allegations of corporate espionage.
True False

55. Michael Porter's five forces analysis is a dynamic tool for analyzing industry attractiveness.
True False

56. Bombardier studies people's travel patterns to decide on the number of seats they should plan for future aircraft.
True False

57. The use of the *strategic groups* concept is generally not helpful in charting the future directions of firms' strategies.
True False

58. The strategic groups in the world-wide automobile industry have been very stable and unchanging in recent years.
True False

59. According to the text, Canadian Tire is more concerned about Wal-Mart than Holt Renfrew.
True False

60. Explain why managers must recognize opportunities and threats in their firm's external environment.

61. Using the Canadian beer as an example, explain how an industry or competitive environment might be defined and analyzed.

62. Explain how competitor intelligence can be improved by gathering information about competitors in the public domain. Provide examples.

63. Discuss some of the limitations of forecasting.

64. Many indicators of the macroeconomic environment such as GNP, interest rates, savings rates, trade and budget deficits/surplus, and so forth, are interrelated. Explain.

65. Explain the important barriers to entry in an industry. Provide examples.

66. Discuss and provide examples of factors that would lead to greater buyer power.

67. What are some of the factors that would cause a supplier group to become powerful? Illustrate.

68. Several factors usually interact which result in intense rivalry among competitors. Explain.

69. Explain how the value net analysis adds to the five forces analysis. Be sure to include examples from at least two industries.

70. What value is the concept of *strategicgroups* as a tool in analyzing an industry?

ch02 Key

1. A

2. B

3. B

4. A

5. D

6. C

7. B

8. C

9. B

10. B

11. C

12. D

13. B

14. C

15. A

16. C

17. A

18. A

19. C

20. A

21. D

22. D

23. D

24. B

25. C

26. C

27. D

28. B

29. A

30. D

31. C

32. C

33. B

34. B

35. TRUE

36. TRUE

37. TRUE

38. FALSE

39. FALSE

40. TRUE

41. FALSE

42. TRUE

43. TRUE

44. FALSE

45. TRUE

46. TRUE

47. TRUE

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51. TRUE

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56. TRUE

57. FALSE

58. FALSE

59. TRUE

60. It is important that managers look outside of their company so they do not get out of touch with the evolving realities of the marketplace.

61. The Canadian beer industry is complex with many international players. It is best viewed from the market's perspective. Consumers seek to satisfy their needs through the use of products and services. An industry consists of all those producers whose products can satisfy similar consumer needs. This would include Canadian companies like Labatt and Sleeman and imports such as Corona, Heineken, and so forth.

62. There is a wealth of information available over the internet as well as annual reports and other documents that provide public information about firms. Examples will vary.

63. Forecasting is based on historical data. In today's rapidly changing global environment, the past does not always necessarily predict the future.

64. Due to globalization the economies of nations are becoming increasingly linked.

65. Barriers to entry are factors that limit or prevent new firms from entering an industry. Examples include, economies of scale, high capital costs, high switching costs and more.

66. Buyer power is high when, the buyer is the main customer of the supplier, the product is standard or undifferentiated, there are high switching costs for the seller there is a credible threat of backward integration.

67. Suppliers may become powerful when the suppliers product is an important input to the buyers business, when suppliers sell to various industries and when the suppliers product is differentiated or has high switching costs. Examples will vary.

68. Intense rivalry often arises out of situation where there are numerous or equally balanced competitors. The most classic example would be Coke vs Pepsi. Other factors include slow industry growth, high fixed costs and low switching costs

69. The five forces analysis has also been criticized for being essentially a static analysis. On the basis of game theory considerations, Brandenburger and Nalebuff introduced the concept of the *value net*, which, in many ways, is an extension of the five forces analysis. The value net represents all the players in the game and analyzes how their interactions affect a firm's ability to generate and appropriate value. The vertical dimension of the net includes suppliers and customers. The firm has direct transactions with them. On the horizontal dimension are substitutes and complementors, players with whom a firm interacts but may not necessarily transact. The concept of complementors is perhaps the single most important contribution of value net analysis. Examples may vary.

70. The concept of strategic groups can be used to identify firms that are most similar within an industry. It is important because rivalry tends to be greater among firms that are alike.

ch02 Summary

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