Student name:__________

TRUE/FALSE - Write 'T' if the statement is true and 'F' if the statement is false.

1) A good strategy is a set of actions that enables a firm to achieve its own internal goals without regard to the external environment.

⊚ true
⊚ false

2) The following statement by the chief executive of GoFlix movie studio is an effective strategy: “We will produce the greatest films of the 21st century.”

⊚ true
⊚ false

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

⊚ true
⊚ false

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

⊚ true
⊚ false

5) Once a strategy has

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

⊚ true
⊚ false

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

⊚ true
⊚ false

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

⊚ true
⊚ false

8) Under the strategy as a planned emergence model, even entry-level employees can help generate strategic initiatives.

⊚ true
⊚ false

MULTIPLE CHOICE - Choose the one alternative that best completes the statement or answers the question.

9) Tommy wants to open his own food truck 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 know that you will probably use the

A) AFI strategy framework.
B) business model analysis.
C) Six Sigma tool.
D) Stakeholder Impact analysis.

10) Jill is interested in the concept of strategy and decides to create her own. As a result, Jill says that her strategy is to focus on growth and marketing to achieve competitive advantage. How would you evaluate Jill's statement?

A) Jill's strategy makes sense and she should move forward with it.
B) Jill's strategy reveals a clear strategic position and tradeoff, so she should proceed.
C) Jill should reevaluate her statement because it fails to mention human resources and finance.
D) Jill should reevaluate her statement because it fails to meet the principles of what a strategy should be.

11) Tony's Pizza Shop is able to net $10,000 a week; this makes his shop profitable. His 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 he has a competitive advantage in the industry.

A) True—competitive advantage is achieved through profitability alone.
B) True—competitive advantage is achieved since Tony has a positive net income.
C) False—competitive advantage is only achieved by generating above average returns, relative to competition.
D) False—Tony more than likely has a sustained competitive advantage since he's been in business longer.

12) Bill's Auto & Airplane Repair shop is able to generate a positive net income of $10,000 a week; this is the industry average. We can conclude that since he has a positive net income, he also has a competitive parity in the industry.

A) Correct—competitive advantage is achieved through profitability alone.
B) Correct—competitive advantage is achieved since Bill's Auto & Airplane Repair shop has a positive net income.
C) Correct—competitive parity is achieved by generating average returns, relative to competition in a given industry.
D) Incorrect—Bill's Auto & Airplane Repair shop more than likely has a sustained competitive advantage since his business is

diversified.

13) In order 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 stockholders. This integrative approach is referred to as

A) stakeholder strategy.
B) internal shareholder strategy.
C) integration strategy.
D) exchange relationship strategy.

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

A) customers
B) creditors
C) alliance partners
D) competitors

15) 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

A) stakeholders are both internal and external to the firm while stockholders are considered external to the firm.
B) stakeholders are considered internal to the firm while stockholders are external to the firm.
C) stakeholders can be both internal and external while stockholders own shares of a firm and are classified as internal to the firm.
D) stakeholders are external to the firm while stockholders are considered internal to the firm.

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

A) competitive advantage, economic value, and time
B) power, legitimacy, and urgency
C) grace under pressure, financial control, and reward power

D) shareholder rights plan, board representation and CEO influence

17) 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

A) corporate social responsibility.
B) stakeholder impact analysis.
C) business model analysis.
D) value chain driven decision making.

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

A) analysis
B) formulation
C) implementation
D) competitive advantage

19) In strategic management, strategists engage in three pillars. Which of the following is *not* one of these three pillars?

A) the implementation of major goals and objectives
B) the analysis of major goals and objectives
C) the formulation of major goals and objectives
D) the unification of major goals and objectives

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

A) analysis
B) formulation
C) implementation
D) competitive advantage

21) The goal of a good strategy is focused primarily on

A) creating superior value while containing costs.
B) making as much money as possible.
C) employing lean manufacturing and Six Sigma.
D) encouraging investors to buy more shares of the firm.

22) The AFI framework (analysis, formulation, implementation) affects a firm at nearly every level. Which of the following would be classified as the top level of strategy within a firm?

A) the functional level
B) the business level
C) the operational level
D) the corporate level

23) 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?

A) formulation
B) execution
C) implementation
D) analysis

24) When the strong dictatorial rule in Arlington unexpectedly collapsed due to the shocking death of the royal family in an explosion, the nation's economy experienced drastic changes. The laws became more restrictive, the country lost many locally produced resources and products, and the distribution of wealth became inequitable. The unexpected event that led to these changes can best be described as a(n) ________ event.

A) extinction
B) wild card
C) black swan
D) miracle

25) Due to several black swan events in the past, the

A) shareholders of public companies have become more confident in investing their resources in businesses.
B) need for corporate governance and transparency has decreased within various industries.
C) nations around the globe have explicitly appreciated and accepted capitalism as an economic system.
D) implicit trust relationship between the corporate world and society at large has deteriorated.

26) Which of the following was a key motivator for participants in the Occupy movement of 2011?

A) the need for a capitalist economic system
B) the issue of income disparity
C) the need to reduce government intervention in businesses
D) the desire to dump ecologically dangerous products overseas

27) 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, Vincente is the start-up company's

A) headhunter.
B) category captain.
C) employee.
D) stakeholder.

28) 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

A) stockholder.
B) workforce.
C) internal stakeholder.
D) external stakeholder.

29) Leslie owns a large portion of Hue Apparel's stock. However, she is not employed by the company. In this scenario, Leslie is the company's

A) external stakeholder.
B) internal stakeholder.
C) creditor.
D) customer.

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

A) internal stakeholder.
B) director.
C) shareholder.
D) external stakeholder.

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

A) an auditor assigned to the firm by a federal government agency
B) a labor union with whom the firm's employees can affiliate
C) a manager taking care of the firm's operations in a foreign market
D) a competitor manufacturing the same products as that of the firm

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

A) government agency that regulates the prices of products manufactured by the firm.
B) board member from a wholly-owned foreign subsidiary of the firm.
C) shareholder who has invested money in the firm but is not employed by the firm.
D) employee of the firm who is responsible for a contract project.

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

A) ergonomic relationship.
B) cartel arrangement.
C) exchange relationship.
D) fiduciary responsibility.

34) 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

A) strategic analysis.
B) stakeholder strategy.
C) wild card event.
D) black swan event.

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

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

D) 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.

36) 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?

A) Reinvest profits into expanding the company and creating more jobs.

B) Reward the CEO with a significant bonus payment.

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

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

37) The first step in stakeholder impact analysis involves

A) formulating a stakeholder strategy to balance the different needs of various stakeholders.

B) identifying the opportunities and threats the stakeholders present.

C) describing the economic, legal, ethical, and philanthropic responsibilities of the firm toward society.

D) identifying the stakeholders that currently have, or potentially can have, a material effect on a company.

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

A) recognize the opportunities and threats the stakeholders present.

B) identify stakeholders' interests and claims.

C) formulate a stakeholder strategy.

D) address the stakeholders' concerns.

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

A) creditors
B) employees
C) shareholders
D) board members

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

A) sourcing raw materials from highly developed countries
B) paying adequate returns to the firm's stockholders on the capital invested by them
C) donating resources, in terms of money and time, toward community development
D) helping a nation increase its import of goods and services

41) 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?

A) legal responsibilities
B) philanthropic responsibilities
C) ethical responsibilities
D) demographic responsibilities

42) 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?

A) legal responsibilities toward the government
B) economic responsibilities toward its shareholders
C) philanthropic responsibilities toward the local community
D) ethical responsibilities toward the society

43) 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.

A) economic
B) legal
C) ethical
D) demographic

44) 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?

A) pay the fine levied by the local government and resume operations
B) move its production facilities to an area that is less concerned with environmental issues
C) take out an advertisement arguing that use of the chemical is perfectly legal
D) design batteries without the chemical and market them as environmentally friendly

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

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

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

C) using advertising and other forms of promotion to endorse luxurious lifestyles

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

46) In the pyramid of corporate social responsibility, ________ responsibilities are the foundational building block.

A) economic

B) ethical

C) philanthropic

D) legal

47) Which of the following statements is true of the social responsibilities of a business?

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

B) Shareholders mandatorily require a firm to perform its ethical and philanthropic responsibilities.

C) Ethical responsibilities are the foundational building block of a firm's social responsibility.

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

48) The founder of T-Square Construction strongly believes in the notion of corporate social responsibility, so he has proposed several philanthropic activities that he expects the company to pursue. In order to accomplish this vision, the managers should first

A) review all legal codes in the areas in which T-Square operates and ensure all permits are up-to-date.

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

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

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

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

A) identifies its stakeholders' interests and claims.

B) differentiates its internal stakeholders from its external stakeholders.

C) recognizes the opportunities and threats stakeholders present.

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

50) Which of the following strategies does Tesla need to implement or achieve to gain a competitive advantage?

A) imitate the features of the most popular SUVs on the market

B) reinvest profits to build successively better electric automobiles

C) sell advertising space on their cars' digital displays

D) substitute less-expensive components to keep costs low

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

A) Supply chain management

B) Integrated technology management

C) Strategic management

D) Inventory management

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

A) Behavior modification

B) Strategy

C) Credo
D) Competency management

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

A) strategy analysis
B) strategy implementation
C) strategy formulation
D) strategy control

54) In ________, a firm frames a guiding policy to address the competitive challenge.

A) strategy control
B) strategy implementation
C) strategy formulation
D) strategy analysis

55) Through ________, a firm puts its guiding policy into practice by employing a set of coherent actions.

A) strategy control
B) strategy implementation
C) strategy formulation
D) strategy analysis

56) Which of the following is an element of good strategy?

A) a summary of the firm's history within its industry
B) a guiding policy to address employee satisfaction
C) a set of coherent actions to implement the firm's guiding policy
D) an approach that underestimates the competition

57) ECO Jeans, Inc. had a mission to become the leading producer of environmentally friendly blue jeans, 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, ECO Jeans could not assemble its products at a low-enough cost to offer the jeans at a price that was attractive to customers. ECO Jeans' strategy failed because

A) it failed to consider the competitive challenge.
B) it was not backed up with strategic commitments.
C) managers did not live by the company's core values.
D) the company did not stake out a unique strategy position.

58) Which of the following is an example of competitive parity?

A) A firm manufactures higher-quality wall clocks than its competitors.
B) A firm provides wall clocks that its consumers value more than other wall clocks.
C) A firm sells wall clocks at a lower price than its competitors.
D) A firm produces a similar number of wall clocks at a similar cost as its competitors.

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

A) competitive advantage.
B) balanced scorecard.
C) power position.
D) equity leverage.

60) Bright 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 Bright Lighting ample competition. In response, Bright 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, Bright Lighting consistently outperformed its competitors for ten years. In this scenario, Bright Lighting maintained a ________ through its innovative strategy.

A) balanced scorecard
B) fiduciary responsibility
C) consistent power position
D) sustainable competitive advantage

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

A) Samson LLC generated revenue of $300,000 this financial year, which is close to the industrial revenue average of $320,000.
B) 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.
C) Bill and Ted Corp. was able to hold its market share of 68 percent in the social networking industry for more than three years.
D) Johnson Inc. was able to outperform its competitors with its new production system, in terms of revenue, for a brief period of four months.

62) If Modern Furniture LLC obtains an 18 percent return on invested capital, which of the following will help determine if it has a competitive advantage over other pharmaceutical companies?

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

63) Underperformance

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

A) sustainable competitive advantage
B) increased power distance
C) diseconomies of scope
D) competitive disadvantage

64) HardLine 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, HardLine Ltd. has a

A) competitive advantage.
B) balanced scorecard.
C) competitive disadvantage.
D) power position.

65) 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

A) competitive advantage over other firms in their industry.
B) competitive parity with each other.
C) strategic alliance with each other.
D) economies of scope instead of economies of scale.

66) The average cost of production for a bottle of vitamin water in the industry is $5 while its average price is $8. Facuet H20 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 Facuet H20 Inc. in this scenario?

A) It has a competitive advantage in the industry.
B) It has a competitive disadvantage in the industry.
C) It has competitive parity with other firms in the industry.

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

67) A firm is said to gain a competitive advantage when it can

A) exceed its own previous performances.
B) provide products similar to its competitors, but at lower prices.
C) perform at the same level as that of its competitors.
D) minimize the difference between value creation and cost.

68) 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

A) strategic parity.
B) strategic profiling.
C) strategic liquidation.
D) strategic positioning.

69) As the strategic manager of ShRPer Scissors, you are tasked with producing a strategy for introducing a new line of premium scissors. Your competitor produces a line of similar scissors at a cost of $1 and sells them for $12. Because your company has inferior production capabilities, your scissors will cost $3 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?

A) Reduce the quality of materials used in ShRPer scissors to bring unit costs down to $1, then sell the scissors for $12.

B) Continue to produce ShRPer scissors for $3 but set the price at $10.

C) Offer a buy-one-get-one-free sale on ShRPer scissors.

D) Market ShRPer scissors as a higher-quality alternative and sell them for $15.

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

A) below the industry average.

B) 2 percent or lower in a declining industry.

C) about the same as its closest competitor.

D) declining steadily over two or more years.

71) Good Ole Cinemas Inc. and HD Inc. are two companies that own and run movie theaters in malls and other commercial areas. While Good Ole Cinemas Inc. pursues a cost-leadership strategy, HD Inc. adopts a differentiation strategy. Which of the following statements is most likely true of this scenario?

A) Good Ole Cinemas will charge a premium price for its customers, while HD will implement everyday low pricing.

B) HD and Good Ole Cinemas will not be direct competitors to each other, and their customer segments will overlap very little.

C) HD will keep its customer service at an acceptable level, while Good Ole Cinemas will provide superior customer service.

D) Good Ole Cinemas and HD will use a similar approach to create value for customers by attempting to offer everything to everybody.

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

A) choosing a distinct but different strategic position in the industry

B) working toward increasing the difference between value creation and cost

C) trying to be everything to everybody by combining different competitive strategies

D) focusing on creating value for customers rather than destroying rivals

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

A) execute an integrated cost-leadership and differentiation position.
B) copy the strategies of other firms through competitive benchmarking.
C) provide goods or services similar to its competitors at higher prices.
D) stake out a unique position within the industry.

74) 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?

A) providing long-distance cab fares at a higher rate than competitors; servicing a larger area than competitors
B) providing long-distance cab fares at a lower rate than competitors; servicing a smaller area than competitors
C) providing long-distance cab fares at a higher rate than competitors; servicing the same area as competitors
D) providing long-distance cab fares at a lower rate than competitors; servicing the same area as competitors

75) Lil Anthony’s and Amelia’s are two restaurants serving Italian cuisine. While Lil Anthony’s focuses on providing quick, affordable pasta dishes for the lunch crowd, Amelia’s focuses on serving home-style dishes in an upscale, romantic setting. Both companies have been able to gain a competitive advantage. This is most likely because the companies have

A) benefitted from economies of scale.
B) entered into a cartel arrangement.
C) pursued distinct strategic positions.
D) engaged in direct imitation and substitution.

76) Which of the following is an implication of all firms in an industry pursuing a low-cost position through application of competitive benchmarking?

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

B) Each firm would be catering to a different customer segment.

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

D) Each firm would be in a better position to gain a competitive advantage.

77) Toy sales have declined by 10 percent each year, forcing many retailers to exit the industry. To eliminate its remaining competition, Bargain 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?

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

B) Yes. Bargain has achieved a sustainable competitive advantage by selling its toys at a lower price than competitors.

C) No. Bargain has failed to create value for its customers.

D) No. Bargain's strategy and competitive advantage are unsustainable.

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

A) Our strategy is to win at any cost.

B) We will be number one in the industry.

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

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

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

A) It fails to face the competitive challenge.
B) It does not involve concrete actions.
C) It lacks strategic commitments.
D) It tries to be everything to everybody.

80) The ________ is a model that links strategy analysis, strategy formulation, and strategy implementation, which together helps managers plan and implement a strategy that can improve performance and result in competitive advantage.

A) Ansoff’s growth strategy matrix
B) AFI strategy framework
C) Sarbanes-Oxley Act
D) stakeholder impact analysis

81) Managers use the AFI strategy framework to

A) help their business achieve and sustain competitive parity.
B) minimize the wealth of their shareholders.
C) help reduce the economic contribution of their business.
D) explain and predict differences in firm performance.

82) According to AFI strategy framework, in which of the following tasks of strategic management is a firm’s vision, mission, and values identified?

A) strategy control
B) strategy analysis
C) strategy formulation
D) strategy implementation

83) In the AFI strategy framework, strategy analysis primarily involves

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

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

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

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

84) 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?

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

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

C) Should we be competing nationally or internationally?

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

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

A) strategy control

B) strategy implementation

C) strategy analysis

D) strategy formulation

86) Which of the following tasks in the AFI strategy framework involves putting the formulated strategy into practice through organizational structure, culture, and controls?

A) strategy formulation

B) strategy implementation

C) strategy

analysis

D) strategy evaluation

87) During strategy implementation, managers primarily focus on deciding the

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

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

C) relationship between competitive advantage and firm performance.

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

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

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

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

C) 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.

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

89) What part of the AFI strategy framework does the question " *How does the firm make money?"* relate to?

A) strategic leadership and the strategy process

B) competitive advantage, firm performance, and business models

C) external analysis

D) internal analysis

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

A) business strategy
B) corporate strategy
C) global strategy
D) ethical strategy

91) During an AFI planning session, the managers of the Bronco Motorcycle Corporation decided to place various stages of production in different countries in order to implement the strategy of cutting overhead costs. By doing this, what issue did the firm address?

A) philanthropic strategy
B) business ethics
C) corporate governance
D) organizational design

92) As manager of a major producer of automobile airbags, you have recently introduced the following vision statement: *to protect the health of every driver and passenger.* How can you ensure that your employees feel invested in and inspired by the firm's vision?

A) Include a "vision adherence assessment" in each employee's annual performance review.
B) Hang banners around the production facility touting the new vision statement.
C) Ask employees for feedback on the vision statement and revise based on their input.
D) Give a speech explaining why everyone should support the new vision.

SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.

93) What are the elements of a good strategy? Provide the elements and briefly explain how they are accomplished.

94) Define and elaborate on competitive advantage.

95) How is competitive advantage different from competitive parity?

96) What is the relationship between economic contribution and competitive advantage?

97) Why is it important for firms in the same industry to choose distinct but different strategic positions?

98) Describe the three broad tasks of the AFI strategy framework and provide examples of the topics and questions that managers address in relation to each task.

99) You probably have a firm understanding of how to define “strategy” and what it fully entails. Now briefly discuss the common pitfalls associated with how *not* to define strategy and the main mistakes that managers make when creating their strategy.

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

101) Does a sustainable competitive advantage last forever? If not, then how long does a sustainable competitive advantage last?

102) Who are a firm’s stakeholders?

103) 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.

104) What is meant by corporate social responsibility (CSR)?

105) Discuss the pyramid of corporate social responsibility (CSR).

Answer Key

Test name: chapter 1

1) FALSE

2) FALSE

3) FALSE

4) TRUE

5) FALSE

6) FALSE

7) FALSE

8) TRUE

9) A

10) D

11) C

12) C

13) A

14) D

15) C

16) B

17) A

18) B

19) D

20) A

21) A

22) D

23) B

24) C

25) D

26) B

27) D

28) D

29) B

30) D

31) C

32) A

33) C

34) B

35) C

36) A

37) D

38) B

39) C

40) B

41) A

42) B

43) C

44) D

45) D

46) A

47) A

48) B

49) D

50) B

51) C

52) B

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54) C

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57) B

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59) A

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61) C

62) A

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64) A

65) B

66) A

67) B

68) D

69) D

70) A

71) B

72) C

73) D

74) D

75) C

76) C

77) D

78) C

79) A

80) B

81) D

82) B

83) A

84) B

85) D

86) B

87) A

88) A

89) B

90) B

91) D

92) C

93) A good strategy consists of three elements:1. A diagnosis of the competitive challenge. This element is accomplished through strategy analysis of the firm's external and internal environments.2. 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.3. A set of coherent actions to implement the firm's guiding policy. This element is accomplished through strategy implementation.

94) 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.

95) 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.

96) 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.

97) 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.

98) 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.

99) 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.

100) 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.

101) A firm that is able to outperform their competitors for an extended period of time is said to have a sustained competitive advantage. There is no universally accepted, absolute number of years/months/days that supports a firm's claim of sustainable competitive advantage. Instead, the manager must examine the industry to determine the appropriate time period necessary to make such a claim. For instance, the steel industry is not subject to the same volatility as the tech industry, thus, sustainable competitive advantage for firms in the steel industry may be ten years or more. Conversely, firms that compete in the tech industry may have a much shorter window before they can claim a sustainable competitive advantage.

102) 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.

103) 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.

104) 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. CSR goes beyond the notion of encouraging businesses to "just be nice." Instead, managers need to realize that society grants shareholders the right and privilege to create a publicly traded stock company, and therefore the firm owes something to society. Moreover, CSR provides managers with a conceptual model that more completely describes a society's expectations and can guide strategic decision making more effectively.

105) 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.