

**1 A firm has many different stakeholder groups**

(A ) True **Answer:** <https://selldocx.com/products/test-bank-strategic-management-the-challenge-of-creating-value-2e-fitzroy>  
(A) True

(B ) False **Feedback:** In addition to shareholders, employees, customers, suppliers and others have an interest in the firm's performance

**2 Strategies can never be broken into smaller elements for implementation**

(A ) True **Answer:**  
(B) False

(B ) False **Feedback:** Corporate and business strategies cover many different functional areas, and by their very nature need to be broken down into smaller elements

**3 A mental model includes assumptions about the industry and competition**

(A ) True **Answer:**  
(A) True

(B ) False **Feedback:** A mental model is a view of the world, including the industry and competition, which is widely shared within the firm

**4 Strategic decisions are those that affect the long-term well-being of the firm**

(A ) True **Answer:**  
(A) True

(B ) False **Feedback:** A distinguishing characteristic of a strategic decision

**5 The creation of competitive advantage is a sufficient condition for creating economic value**

(A ) True **Answer:**  
(B) False

(B ) False **Feedback:** No, because the firm may not be able to appropriate (capture) the returns that are potentially available

**6 Revolutionary strategy rarely affects the entire business system**

**Answer:**  
(B) False

(A True  
)

**Feedback:** A strategy will not be revolutionary unless it affects the entire business system

(B False  
)

**7 Strategy must be analytic and creative, committed yet flexible**

(A True  
)

**Answer:**  
(A) True

(B False  
)

**Feedback:** Yes, apparently paradoxical requirements are not uncommon in strategic management

**8 All strategies have risks**

(A True  
)

**Answer:**  
(A) True

(B False  
)

**Feedback:** Yes, but these risks can often be anticipated and even mitigated once identified

**9 A decision is strategic when it has the potential to put the future of the firm at risk**

(A True  
)

**Answer:**  
(A) True

(B False  
)

**Feedback:** Almost the other way around, since if a decision does put the firm at risk, it must be strategic by definition

**10 Strategy is never the result of a collective decision-making process**

(A True  
)

**Answer:**  
(B) False

(B False  
)

**Feedback:** Cross-functional participation not only improves most strategic decisions, but will usually be essential for successful implementation

**11 Appropriate time horizons depend on the speed at which markets are evolving**

(A True  
)

**Answer:**  
(A) True

**Feedback:** Fast-moving businesses in electronics and software need more frequent reviews of strategy

(B  
) False

**12 Returns to shareholders are always under the control of management**

(A True  
) **Answer:**  
(B) False

(B False  
) **Feedback:** Shareholder returns depend on the price at which they buy and sell the firm's stock

**13 Value creation involves customer selection and meeting customer needs**

(A True  
) **Answer:**  
(A) True

(B False  
) **Feedback:** Unless this occurs, the firm is unlikely to have any success in the market

**14 Managers' mental models are easy to change**

(A True  
) **Answer:**  
(B) False

(B False  
) **Feedback:** Unfortunately, they are very difficult to change, partly because they were undoubtedly valid at an earlier point in time

**15 High-potential employees will always leave the firm**

(A True  
) **Answer:**  
(B) False

(B False  
) **Feedback:** They are likely to have greater opportunities to leave, but that doesn't mean they will

**16 In the contemporary business environment the costs of delay are rising**

(A True  
) **Answer:**  
(A) True

(B False  
) **Feedback:** In a fast-changing world, inaction can be very costly, competitors are likely to enter, the world changes and an opportunity is lost

**17 Successful senior executives are rarely insulated from reality**

(A ) True  
(A) True

(B ) False  
**Feedback:** Wise senior executives will go out of their way to avoid becoming 'victims' of the chain of command by skipping levels in the organization, and staying in direct touch with employees, customers and suppliers

**18 Strategic managers must be wary of adopting an industry-dominated perspective on the world**

(A ) True  
(A) True

(B ) False  
**Feedback:** Being aware of developments in other industries is very important – best of class benchmarking should never be restricted to one's own industry or firm – 'those who learn only from their own industry will never lead it'

**19 Suppliers have become key stakeholders for many firms**

(A ) True  
(A) True

(B ) False  
**Feedback:** TQM has accentuated the importance of close relationships with suppliers, as has the outsourcing movement. In retailing having the right suppliers is one of the most important determinants of success

**20 A business model is the system for generating value for customers and earning a profit**

(A ) True  
(A) True

(B ) False  
**Feedback:** This is the definition of a business model