

Chapter 1 Introducing Strategic Management

TRUE/FALSE

1. The company Under Armour was originally successful at charging higher prices for t-shirts because its products gave the consumer tangible benefits.

Answer: ☒ True ☐ False

Diff: 2 Type: TF Page Ref: 7

Topic/Objective: CH1: Click Clack – David Challenging Goliath

Skill: Analytical

AACSB Coding: Analytic Skills

2. Most business industries are relatively stable, because significant industry changes take many years to implement.

Answer: ☐ True ☒ False

Diff: 2 Type: TF Page Ref: 8

Topic/Objective: CH1: Three Overarching Themes

Skill: Analytical

AACSB Coding: Analytic Skills

3. Research suggests that U.S. managers are better at strategy implementation than strategy formulation.

Answer: ☐ True ☒ False

Diff: 1 Type: TF Page Ref: 8

Topic/Objective: CH1: Three Overarching Themes

Skill: Fact

AACSB Coding: Analytic Skills

4. Strategy implementation is generally less important than strategy formulation for business success.

Answer: ☐ True ☒ False

Diff: 1 Type: TF Page Ref: 8

Topic/Objective: CH1: Three Overarching Themes

Skill: Analytical

AACSB Coding: Analytic Skills

5. Successful strategies are often formulated without input from those who will later implement the strategies.

Answer: ☐ True ☒ False

Diff: 2 Type: TF Page Ref: 8

Topic/Objective: CH1: What is Strategic Management?

Skill: Analytical

AACSB Coding: Analytic Skills

6. The big-picture perspective of a business strategy differs significantly from the tactics used to implement the strategy.
Answer: ☒ True ☐ False
Diff: 2 Type: TF Page Ref: 9
Topic/Objective: CH1: What is Strategic Management?
Skill: Analytical
AACSB Coding: Analytic Skills
7. Successful strategies are usually formulated by focusing on a single functional business area.
Answer: ☐ True ☒ False
Diff: 2 Type: TF Page Ref: 9
Topic/Objective: CH1: What is Strategic Management?
Skill: Analytical
AACSB Coding: Analytic Skills
8. Business strategy operates as a zero-sum game in which one firm's wins represent another firm's losses.
Answer: ☐ True ☒ False
Diff: 1 Type: TF Page Ref: 10
Topic/Objective: CH1: What is Strategic Management?
Skill: Analytical
AACSB Coding: Analytic Skills
9. Firms that compete in some aspects of business may actually cooperate in other business areas.
Answer: ☒ True ☐ False
Diff: 2 Type: TF Page Ref: 10
Topic/Objective: CH1: What is Strategic Management?
Skill: Analytical
AACSB Coding: Analytic Skills
10. A conglomerate is a business that is so diversified it does not fit into one specific industry category.
Answer: ☒ True ☐ False
Diff: 1 Type: TF Page Ref: 11
Topic/Objective: CH1: What is Strategic Management?
Skill: Definition
AACSB Coding: None
11. Business-level strategies are focused on developing and pursuing goals and objectives within specific markets or industry segments.
Answer: ☒ True ☐ False
Diff: 2 Type: TF Page Ref: 11
Topic/Objective: CH1: What is Strategic Management?
Skill: Definition
AACSB Coding: None

12. Corporate strategies are used by businesses that compete in a single industry or business segment.
Answer: True ☒ False
Diff: 2 Type: TF Page Ref: 11-12
Topic/Objective: CH1: What is Strategic Management?
Skill: Definition
AACSB Coding: None
13. Corporate-level strategies are most appropriate for diversified businesses that compete in many different and unrelated businesses and industries.
Answer: ☒ True False
Diff: 2 Type: TF Page Ref: 12
Topic/Objective: CH1: What is Strategic Management?
Skill: Definition
AACSB Coding: None
14. Strategy implementation is defined as the process of deciding what a firm should do.
Answer: True ☒ False
Diff: 1 Type: TF Page Ref: 12
Topic/Objective: CH1: Strategy Formulation and Implementation
Skill: Definition
AACSB Coding: None
15. The process of implementing strategy should provide information that can be used to modify a firm's strategy.
Answer: ☒ True False
Diff: 2 Type: TF Page Ref: 12
Topic/Objective: CH1: Strategy Formulation and Implementation
Skill: Analytical
AACSB Coding: Analytic Skills
16. Strategy formulation is a part of strategic management that focuses on the specific actions that a firm uses to achieve strategic goals and objectives.
Answer: True ☒ False
Diff: 1 Type: TF Page Ref: 12
Topic/Objective: CH1: Strategy Formulation and Implementation
Skill: Definition
AACSB Coding: None
17. Effective strategies always arise out of unplanned decisions and actions.
Answer: True ☒ False
Diff: 3 Type: TF Page Ref: 13
Topic/Objective: CH1: Strategy Formulation and Implementation
Skill: Analytical
AACSB Coding: Analytic Skills

18. The term *arena* is defined as what a firm wants to become in the future.
 Answer: True ☒ False
 Diff: 2 Type: TF Page Ref: 15
 Topic/Objective: CH1: Strategy Formulation and Implementation
 Skill: Definition
 AACSB Coding: None
19. Customization of products and services is a major way to exploit various targeted arenas.
 Answer: ☒ True False
 Diff: 2 Type: TF Page Ref: 16
 Topic/Objective: CH1: Strategy Formulation and Implementation
 Skill: Analytical
 AACSB Coding: Analytic Skills
20. Vision statements tend to be very general, while arenas are identified very specifically.
 Answer: ☒ True False
 Diff: 1 Type: TF Page Ref: 15
 Topic/Objective: CH1: Strategy Formulation and Implementation
 Skill: Fact
 AACSB Coding: None
21. Acquisition of other businesses is a main vehicle that firms can use to enter new market or industry segments.
 Answer: ☒ True False
 Diff: 3 Type: TF Page Ref: 15–16
 Topic/Objective: CH1: Strategy Formulation and Implementation
 Skill: Analytical
 AACSB Coding: Analytic Skills
22. Differentiators are defined as areas where a firm chooses to compete in the marketplace.
 Answer: True ☒ False
 Diff: 2 Type: TF Page Ref: 16
 Topic/Objective: CH1: Strategy Formulation and Implementation
 Skill: Definition
 AACSB Coding: None
23. Major differentiators include services that help a business outperform their competitors, including brand image, customization, technical superiority, price, quality, and reliability.
 Answer: ☒ True False
 Diff: 2 Type: TF Page Ref: 16
 Topic/Objective: CH1: Strategy Formulation and Implementation
 Skill: Definition
 AACSB Coding: None

24. Identifying and exploiting differentiators demonstrates that a firm is successful at making tough choices and deciding on tradeoffs.
Answer: ☒ True ☐ False
Diff: 2 Type: TF Page Ref: 16
Topic/Objective: CH1: Strategy Formulation and Implementation
Skill: Analytical
AACSB Coding: Analytic Skills
25. *Staging* refers to the timing and pace of strategic moves that are influenced by how a firm uses available resources such as cash, human capital, and knowledge.
Answer: ☒ True ☐ False
Diff: 1 Type: TF Page Ref: 17
Topic/Objective: CH1: Strategy Formulation and Implementation
Skill: Definition
AACSB Coding: None
26. Staging decisions are typically driven by a single factor, such as resources, urgency, credibility, or the need for early wins.
Answer: ☐ True ☒ False
Diff: 3 Type: TF Page Ref: 17
Topic/Objective: CH1: Strategy Formulation and Implementation
Skill: Analytical
AACSB Coding: Analytic Skills
27. Economic logic is the means by which a firm will earn a profit by implementing a strategy.
Answer: ☒ True ☐ False
Diff: 1 Type: TF Page Ref: 17
Topic/Objective: CH1: Strategy Formulation and Implementation
Skill: Definition
AACSB Coding: None
28. Strategy implementation results when a firm performs specific tasks that are required to achieve the goals and objectives described in the strategic plan.
Answer: ☒ True ☐ False
Diff: 1 Type: TF Page Ref: 17
Topic/Objective: CH1: Strategy Formulation and Implementation
Skill: Definition
AACSB Coding: None
29. JetBlue's decision to secure a home base at JFK Airport when the New York Port Authority was anxious to attract more air traffic is an example of a decision regarding the "arenas" element of strategy.
Answer: ☐ True ☒ False
Diff: 3 Type: TF Page Ref: 17
Topic/Objective: CH1: Strategy Formulation and Implementation
Skill: Analytical
AACSB Coding: Analytic Skills

30. A goal of implementation is to ensure that strategy formulation is comprehensive and well informed.

Answer: ☒ True ☐ False

Diff: 1 Type: TF Page Ref: 20

Topic/Objective: CH1: Strategy Formulation and Implementation

Skill: Analytical

AACSB Coding: Analytic Skills

31. A major goal of strategy implementation is to translate good ideas into action and translate actions into good ideas.

Answer: ☒ True ☐ False

Diff: 3 Type: TF Page Ref: 20

Topic/Objective: CH1: Strategy Formulation and Implementation

Skill: Analytical

AACSB Coding: Analytic Skills

32. Organizational structure is the least important of all three major strategic levers.

Answer: ☐ True ☒ False

Diff: 3 Type: TF Page Ref: 21

Topic/Objective: CH1: Strategy Formulation and Implementation

Skill: Analytical

AACSB Coding: Analytic Skills

33. Systems consist of the organizational processes and procedures that a firm uses in its daily operations, such as controls and incentives, resource-allocation procedures, budgets, and distribution.

Answer: ☒ True ☐ False

Diff: 1 Type: TF Page Ref: 21

Topic/Objective: CH1: Strategy Formulation and Implementation

Skill: Definition

AACSB Coding: None

34. In most businesses, the information necessary to formulate strategy can be found with a small group of leaders.

Answer: ☐ True ☒ False

Diff: 2 Type: TF Page Ref: 21

Topic/Objective: CH1: Strategy Formulation and Implementation

Skill: Analytical

AACSB Coding: Analytic Skills

35. Competitive advantage occurs when a firm has more resources than its competitors.

Answer: ☐ True ☒ False

Diff: 3 Type: TF Page Ref: 22

Topic/Objective: CH1: What is Competitive Advantage?

Skill: Definition

AACSB Coding: None

36. A firm that achieves competitive advantage can usually maintain it over time.
Answer: True ☒ False
Diff: 2 Type: TF Page Ref: 22
Topic/Objective: CH1: What is Competitive Advantage?
Skill: Analytical
AACSB Coding: Analytic Skills
37. The internal perspective assumes that firms can create a competitive advantage by having resources that are rare or costly to imitate.
Answer: ☒ True ☐ False
Diff: 2 Type: TF Page Ref: 23
Topic/Objective: CH1: What is Competitive Advantage?
Skill: Analytical
AACSB Coding: Analytic Skills
38. The external perspective indicates that differences in competitive advantage are more often a function of industry attractiveness than a function of the firm's position in the industry.
Answer: ☒ True ☐ False
Diff: 3 Type: TF Page Ref: 24
Topic/Objective: CH1: What is Competitive Advantage?
Skill: Analytical
AACSB Coding: Analytic Skills
39. The external perspective on competitive advantage is based on the assumption that differences in competitive advantage are a function of the uniqueness of the firm.
Answer: True ☒ False
Diff: 2 Type: TF Page Ref: 24
Topic/Objective: CH1: What is Competitive Advantage?
Skill: Analytical
AACSB Coding: Analytic Skills
40. The competitive advantage held by one firm over its competitors tends to change more slowly in stable markets.
Answer: ☒ True ☐ False
Diff: 1 Type: TF Page Ref: 24
Topic/Objective: CH1: What is Competitive Advantage?
Skill: Fact
AACSB Coding: None
41. The competitive advantage of a firm over its competitors tends to change more slowly in unpredictable markets.
Answer: True ☒ False
Diff: 1 Type: TF Page Ref: 24
Topic/Objective: CH1: What is Competitive Advantage?
Skill: Fact
AACSB Coding: None

42. The degree of environmental stability of industries and markets is a major factor in determining a firm's competitive advantage.
Answer: ☒ True ☐ False
Diff: 2 Type: TF Page Ref: 24
Topic/Objective: CH1: What is Competitive Advantage?
Skill: Analytical
AACSB Coding: Analytic Skills
43. The dynamic strategy perspective is particularly useful for analyzing markets that change rapidly and unpredictably.
Answer: ☒ True ☐ False
Diff: 1 Type: TF Page Ref: 24
Topic/Objective: CH1: What is Competitive Advantage?
Skill: Analytical
AACSB Coding: Analytic Skills
44. In markets that are dominated by only a few firms, the degree of industry stability has no effect on competitive advantage.
Answer: ☐ True ☒ False
Diff: 3 Type: TF Page Ref: 25
Topic/Objective: CH1: What is Competitive Advantage?
Skill: Analytical
AACSB Coding: Analytic Skills
45. Research shows that few firms persist with their competitive advantage over prolonged periods of time.
Answer: ☒ True ☐ False
Diff: 1 Type: TF Page Ref: 25
Topic/Objective: CH1: What is Competitive Advantage?
Skill: Fact
AACSB Coding: None
46. The dynamic perspective indicates that the current market position of a firm is not an accurate predictor of its future performance.
Answer: ☒ True ☐ False
Diff: 2 Type: TF Page Ref: 25
Topic/Objective: CH1: What is Competitive Advantage?
Skill: Definition
AACSB Coding: None
47. The dynamic perspective tends to explain the medical products industry more accurately than it explains the computer industry.
Answer: ☐ True ☒ False
Diff: 3 Type: TF Page Ref: 25
Topic/Objective: CH1: What is Competitive Advantage?
Skill: Analytical
AACSB Coding: Analytic Skills

48. The dynamic perspective is useful as a tool for examining industries in which firms tend to encounter the same competitors in multiple markets.

Answer: ☒ True ☐ False

Diff: 2 Type: TF Page Ref: 25

Topic/Objective: CH1: What is Competitive Advantage?

Skill: Analytical

AACSB Coding: Analytic Skills

49. The dynamic perspective looks at how a firm arrived at its current market position to predict future competitive advantage.

Answer: ☒ True ☐ False

Diff: 2 Type: TF Page Ref: 25

Topic/Objective: CH1: What is Competitive Advantage?

Skill: Fact

AACSB Coding: None

50. A business market that experiences rapid and unpredictable change is known as a "high-velocity" market.

Answer: ☒ True ☐ False

Diff: 1 Type: TF Page Ref: 25

Topic/Objective: CH1: What is Competitive Advantage?

Skill: Definition

AACSB Coding: None

51. A firm that is characterized by multimarket competition encounters the same competitors in many different markets.

Answer: ☒ True ☐ False

Diff: 1 Type: TF Page Ref: 25

Topic/Objective: CH1: What is Competitive Advantage?

Skill: Definition

AACSB Coding: None

MULTIPLE CHOICE

1. Which of the following strategy components was most helpful for Under Armour's early success in the sports apparel industry?

A. The company started in two market segments, t-shirts and footwear, at the same time.

B. The company's first t-shirt product was highly differentiated from existing products.

C. Instead of starting with the U.S. domestic market, the company began its sales effort in Europe.

D. The company increased sales by offering t-shirts at lower prices than the competition.

Answer: B

Diff: 2 Type: MC Page Ref: 5

Topic/Objective: CH1: Click Clack – David Challenging Goliath

Skill: Analytical

AACSB Coding: Analytic Skills

2. Which of the following maintains the ultimate responsibility for strategy within an organization?

- A. senior management
- B. lower-level managers
- C. mid-level executives
- D. employee teams

Answer: A

Diff: 1 Type: MC Page Ref: 10

Topic/Objective: CH1: What is Strategic Management?

Skill: Fact

AACSB Coding: None

3. Business-level and corporate-level strategies are least likely to share which of the following elements?

- A. focus on profit maximization
- B. focus on cash flow maximization
- C. breadth of focus
- D. focus on quality and efficiency

Answer: C

Diff: 3 Type: MC Page Ref: 10-12

Topic/Objective: CH1: What is Strategic Management?

Skill: Analytical

AACSB Coding: Analytic Skills

4. Which type of firm would most likely use corporate-level strategies?

- A. firms that compete in only a single business or market segment
- B. firms that possess superior capabilities
- C. firms that compete in many diversified or unrelated businesses and industries
- D. firms that choose to compete in an attractive industry

Answer: C

Diff: 2 Type: MC Page Ref: 10-12

Topic/Objective: CH1: What is Strategic Management?

Skill: Analytical

AACSB Coding: Analytic Skills

5. Which of the following describes the most appropriate use of business-level strategies?

- A. pursuing opportunities within a specific business
- B. outsourcing production to overseas divisions
- C. managing diversified businesses
- D. competing in hypercompetitive markets

Answer: A

Diff: 2 Type: MC Page Ref: 10-12

Topic/Objective: CH1: What is Strategic Management?

Skill: Analytical

AACSB Coding: Analytic Skills

6. A conglomerate is best described as _____.
A. a business that fits into a specific market or industry category
B. a business that is not diversified
C. a business that sells only one product
D. a highly diversified business that does not fit into one specific category

Answer: D

Diff: 2 Type: MC Page Ref: 10

Topic/Objective: CH1: What is Strategic Management?

Skill: Definition

AACSB Coding: None

7. Which statement about the strategic management process is most accurate?
A. Strategic management explains why firms translate their vision into actions.
B. Strategic management should be focused on both strategy formulation and implementation.
C. Strategic management is determined by forces in the firm's external environment.
D. Strategic management is a formula used to develop strategies.

Answer: B

Diff: 2 Type: MC Page Ref: 12

Topic/Objective: CH1: Strategy Formulation and Implementation

Skill: Analytical

AACSB Coding: None

8. Which of the following concepts describes the process used to decide what a firm should do?
A. strategy integration
B. strategy implementation
C. strategy formulation
D. strategic alignment

Answer: C

Diff: 1 Type: MC Page Ref: 12

Topic/Objective: CH1: Strategy Formulation and Implementation

Skill: Definition

AACSB Coding: None

9. Which concept describes how a firm determines the objectives and tasks that are required to put a plan into action?
A. strategy alignment
B. strategy implementation
C. strategy formulation
D. strategy integration

Answer: B

Diff: 1 Type: MC Page Ref: 12

Topic/Objective: CH1: Strategy Formulation and Implementation

Skill: Definition

AACSB Coding: None

10. The initial plan behind a strategy is best described as the _____ strategy.
- A. unrealized
 - B. realized
 - C. emergent
 - D. intended

Answer: D

Diff: 2 Type: MC Page Ref: 13

Topic/Objective: CH1: Strategy Formulation and Implementation

Skill: Definition

AACSB Coding: None

11. A senior manager is reviewing the components of the strategy diamond with her staff. When naming the five major components, she lists all of the following except _____.
- A. competitors
 - B. vehicles
 - C. differentiators
 - D. staging

Answer: A

Diff: 3 Type: MC Page Ref: 14–15

Topic/Objective: CH1: Strategy Formulation and Implementation

Skill: Definition

AACSB Coding: None

12. Which of the following is not a key component of strategy included as part of the strategy diamond?
- A. staging
 - B. differentiators
 - C. evaluation
 - D. vehicles

Answer: C

Diff: 1 Type: MC Page Ref: 14–15

Topic/Objective: CH1: Strategy Formulation and Implementation

Skill: Definition

AACSB Coding: None

13. A company hires a business consultant to help identify key differentiators that may increase the company's competitive advantage. In discussing possible differentiators, the consultant is least likely to mention which of the following?
- A. product categories
 - B. image
 - C. price
 - D. speed to market

Answer: A

Diff: 3 Type: MC Page Ref: 15

Topic/Objective: CH1: Strategy Formulation and Implementation

Skill: Analytical

AACSB Coding: Analytic Skills

14. Which of the following factors relates to staging as described in the business strategy diamond?

- A. market segments
- B. speed of expansion
- C. product styling
- D. business alliances

Answer: B

Diff: 2 Type: MC Page Ref: 15

Topic/Objective: CH1: Strategy Formulation and Implementation

Skill: Definition

AACSB Coding: None

15. _____ are not an arena described in the business strategy diamond.

- A. Delivery channels
- B. Product and service categories
- C. Mergers and acquisitions
- D. Market segments

Answer: C

Diff: 2 Type: MC Page Ref: 15

Topic/Objective: CH1: Strategy Formulation and Implementation

Skill: Definition

AACSB Coding: None

16. A research associate is requested by his boss to write a report identifying potential new arenas in which the business might launch overseas operations. Which of the following categories is the associate least likely to include as a potential arena in his report?

- A. customers
- B. channels
- C. product categories
- D. technologies

Answer: A

Diff: 3 Type: MC Page Ref: 15–16

Topic/Objective: CH1: Strategy Formulation and Implementation

Skill: Analytical

AACSB Coding: Analytic Skills

17. Which of the following is not an example of a vehicle as described in the strategy diamond?

- A. internal development
- B. customer service
- C. joint ventures
- D. licensing

Answer: B

Diff: 2 Type: MC Page Ref: 15–16

Topic/Objective: CH1: Strategy Formulation and Implementation

Skill: Definition

AACSB Coding: None

18. _____ is/are not a vehicle described in the business strategy diamond.

- A. Joint ventures
- B. Reputation
- C. Acquisitions
- D. Franchising

Answer: B

Diff: 2 Type: MC Page Ref: 15–16

Topic/Objective: CH1: Strategy Formulation and Implementation

Skill: Definition

AACSB Coding: None

19. A company makes a decision to expand only by developing new stores internally. The company can best be described as using which of the following?

- A. the vehicle of organic growth
- B. the vehicle of acquisition
- C. the differentiator of alliances
- D. the economic logic of customization

Answer: A

Diff: 3 Type: MC Page Ref: 15–16

Topic/Objective: CH1: Strategy Formulation and Implementation

Skill: Analytical

AACSB Coding: Analytic Skills

20. In the perceptions of consumers, low prices tend to be associated with _____.

- A. fast ship times
- B. low quality
- C. state-of-the-art technology
- D. wide availability

Answer: B

Diff: 2 Type: MC Page Ref: 17

Topic/Objective: CH1: Strategy Formulation and Implementation

Skill: Fact

AACSB Coding: None

21. A company decides to expand its business operations overseas. It plans to enter Asia first, followed by Europe and then Africa. This type of planning is an example of which of the following aspects of business strategy?

- A. economic logic
- B. arenas
- C. vehicles
- D. staging

Answer: D

Diff: 2 Type: MC Page Ref: 17

Topic/Objective: CH1: Strategy Formulation and Implementation

Skill: Analytical

AACSB Coding: Analytic Skills

22. Acme Wholesale Supply is considering expanding its sales operations overseas. Which of the following factors is most likely to have a major impact on Acme's decision regarding staging of the expansion?

- A. Prices
- B. Channels
- C. Resources
- D. Locations

Answer: C

Diff: 3 Type: MC Page Ref: 17

Topic/Objective: CH1: Strategy Formulation and Implementation

Skill: Analytical

AACSB Coding: Analytic Skills

23. A company plans to maximize its profits by charging premium prices for superior customer service. This plan represents an example of which of the following aspects of strategy?

- A. arenas
- B. vehicles
- C. economic logic
- D. staging

Answer: C

Diff: 2 Type: MC Page Ref: 17

Topic/Objective: CH1: Strategy Formulation and Implementation

Skill: Analytical

AACSB Coding: Analytic Skills

24. Which of the following would be least likely to drive a company's staging decision regarding expansion into a particular market?

- A. a brief, time-bound window of opportunity for the expansion
- B. the need for early wins in the proposed expansion market
- C. a sense of urgency posed by technological advances in the market
- D. significant financial resources made available for the expansion

Answer: D

Diff: 3 Type: MC Page Ref: 17

Topic/Objective: CH1: Strategy Formulation and Implementation

Skill: Analytical

AACSB Coding: Analytic Skills

25. A company executive makes a presentation to the company's shareholders regarding the major components of the company's business strategy. Which of the following is the executive least likely to mention when explaining the component of economic logic?

- A. Superior service
- B. Internal development
- C. Economies of scale
- D. Proprietary product features

Answer: B

Diff: 3 Type: MC Page Ref: 17

Topic/Objective: CH1: Strategy Formulation and Implementation

Skill: Analytical

AACSB Coding: Analytic Skills

26. The concept of strategic alignment can best be described as _____.
A. the way that firms choose to use their resources
B. the need for the firm's activities to compliment each other and support the overall strategy
C. the way that firms choose to develop their capabilities
D. the need to increase competitive advantage by selecting an attractive industry

Answer: B

Diff: 2 Type: MC Page Ref: 21

Topic/Objective: CH1: Strategy Formulation and Implementation

Skill: Definition

AACSB Coding: None

27. _____ is/are not one of the levers used to achieve strategic alignment.
A. Reward systems
B. Profitability
C. Processes
D. Organizational structure

Answer: B

Diff: 1 Type: MC Page Ref: 20-21

Topic/Objective: CH1: Strategy Formulation and Implementation

Skill: Analytical

AACSB Coding: None

28. All of the following are aspects of organizational structure except _____.
A. units
B. hierarchy
C. budgeting
D. authority

Answer: C

Diff: 2 Type: MC Page Ref: 21

Topic/Objective: CH1: Strategy Formulation and Implementation

Skill: Analytical

AACSB Coding: None

29. A business utilizing the "people and rewards" implementation lever would most likely carry out which of the following?
A. providing on-the-job training programs
B. instituting just-in-time inventory control
C. reorganizing the company's management hierarchy
D. decentralizing the company's business operations

Answer: A

Diff: 3 Type: MC Page Ref: 21

Topic/Objective: CH1: Strategy Formulation and Implementation

Skill: Analytical

AACSB Coding: Analytic Skills

30. In a planning meeting, a CEO discusses the main strategic levers that the company intends to use as part of its strategic implementation efforts. The CEO most likely mentions all of the following except _____.

- A. organizational structure
- B. reward systems
- C. effectiveness of people management
- D. core capability

Answer: D

Diff: 3 Type: MC Page Ref: 21

Topic/Objective: CH1: Strategy Formulation and Implementation

Skill: Analytical

AACSB Coding: Analytic Skills

31. The internal perspective on competitive advantage is also known as which of the following?

- A. structural approach
- B. industrial organization economics
- C. resource-based view
- D. dynamic perspective

Answer: C

Diff: 1 Type: MC Page Ref: 23

Topic/Objective: CH1: What is Competitive Advantage?

Skill: Fact

AACSB Coding: None

32. Which of the following is not an assumption of the internal perspective?

- A. Each firm is a unique collection of resources and capabilities.
- B. All firms possess the same strategically relevant resources.
- C. Resources are not highly mobile across firms.
- D. Firms acquire different resources and capabilities over time.

Answer: B

Diff: 2 Type: MC Page Ref: 23

Topic/Objective: CH1: What is Competitive Advantage?

Skill: Analytical

AACSB Coding: Analytic Skills

33. According to the internal perspective, the major determinant of competitive advantage is _____.

- A. industry structure and positioning of the firm
- B. product differentiation
- C. the firm's resources and capabilities
- D. the practice of adopting strategies to make an industry more attractive

Answer: C

Diff: 2 Type: MC Page Ref: 23-24

Topic/Objective: CH1: What is Competitive Advantage?

Skill: Definition

AACSB Coding: None

34. According to the external perspective, which of the following has the greatest impact on a firm's competitive advantage?

- A. proper utilization of the firm's human resources
- B. selecting the most attractive industry in which to compete
- C. identifying the firm's key competitive advantage
- D. developing the firm's unique resources and capabilities

Answer: B

Diff: 2 Type: MC Page Ref: 24

Topic/Objective: CH1: What is Competitive Advantage?

Skill: Analytical

AACSB Coding: None

35. Which of the following statements about the external perspective of competitive advantage is most accurate?

- A. The success of a strategy is determined by the forces within the firm's external environment and industry.
- B. The firm's internal resources and capabilities represent the foundation for development of a value-creating strategy.
- C. Internationalization is a factor that leads to globalization.
- D. Firms should seek to maximize their returns by changing organizational structure in a manner consistent with the most efficient producers in any given industry.

Answer: A

Diff: 3 Type: MC Page Ref: 24

Topic/Objective: CH1: What is Competitive Advantage?

Skill: Analytical

AACSB Coding: Analytic Skills

36. According to Michael Porter's theory, which of the following factors influences whether firms achieve competitive advantage?

- A. adopting strategies that will make their current industries more attractive
- B. possessing superior capabilities
- C. bundling together complementary resources
- D. having greater resources compared to competitors

Answer: A

Diff: 2 Type: MC Page Ref: 24

Topic/Objective: CH1: What is Competitive Advantage?

Skill: Analytical

AACSB Coding: Analytic Skills

37. Which statement about the dynamic perspective is true?
- A. A firm's market position tends to remain relatively stable over time.
 - B. The current market position of a firm is not an accurate predictor of its future performance.
 - C. Competitive advantage is determined by the structure of the industry.
 - D. Competitive advantage is determined by industry attractiveness.

Answer: B

Diff: 2 Type: MC Page Ref: 24

Topic/Objective: CH1: What is Competitive Advantage?

Skill: Analytical

AACSB Coding: Analytic Skills

38. The _____ perspective argues that the structure of industries and positioning of products/services determine whether the firm achieves competitive advantage.
- A. general environmental
 - B. external
 - C. task environment
 - D. resource-based

Answer: B

Diff: 3 Type: MC Page Ref: 24

Topic/Objective: CH1: What is Competitive Advantage?

Skill: Analytical

AACSB Coding: None

39. The _____ approach to strategic management argues that the development of unique capabilities is the major determinant of competitive advantage.
- A. resource-based
 - B. industry forces
 - C. strategic management diamond
 - D. stakeholder

Answer: A

Diff: 2 Type: MC Page Ref: 23–24

Topic/Objective: CH1: What is Competitive Advantage?

Skill: Definition

AACSB Coding: None

40. From the dynamic perspective, a successful firm is least likely to possess which of the following features?
- A. an emphasis on continuous learning
 - B. the ability to improvise
 - C. a slow response to change
 - D. willingness to experiment

Answer: C

Diff: 2 Type: MC Page Ref: 26

Topic/Objective: CH1: What is Competitive Advantage?

Skill: Analytical

AACSB Coding: Analytic Skills

SHORT ANSWER

1. What is the "knowing–doing gap" found among managers?

Answer: The "knowing–doing gap" refers to the fact that managers are typically better at formulating strategies than they are at implementing them.

Diff: 2 Type: SA Page Ref: 8

Topic/Objective: CH1: Three Overarching Themes

Skill: Definition

AACSB Coding: None

2. How is the concept of *strategy* defined?

Answer: *Strategy* is defined as the central, integrated, externally oriented concept of how a firm will achieve its objectives. A strategy thus encompasses the pattern of actions that have been taken and those that are to be taken by an organization in pursuing its objectives.

Diff: 1 Type: SA Page Ref: 10

Topic/Objective: CH1: What is Strategic Management?

Skill: Definition

AACSB Coding: None

3. What are the two key components of the strategic management process?

Answer: The two critical components are 1) strategy formulation: *what* a firm needs to do and 2) strategy implementation: *how* strategic plans and objectives are translated into actions.

Diff: 1 Type: SA Page Ref: 12

Topic/Objective: CH1: Strategy Formulation and Implementation

Skill: Analytical

AACSB Coding: Analytic Skills

4. What are the five elements of the strategy diamond?

Answer: The elements are: arenas, staging, vehicles, differentiators, and economic logic.

Diff: 1 Type: SA Page Ref: 14–15

Topic/Objective: CH1: Strategy Formulation and Implementation

Skill: Definition

AACSB Coding: None

5. What categories should be considered when analyzing a firm's economic logic?

Answer: A firm's economic logic can be analyzed in terms of both costs and revenues.

Sometimes economic logic resides primarily on the *cost* side of the equation. At other times, economic logic may rest on the firm's ability to increase the customer's willingness to pay premium prices for products.

Diff: 2 Type: SA Page Ref: 17

Topic/Objective: CH1: Strategy Formulation and Implementation

Skill: Analytical

AACSB Coding: Analytic Skills

6. What are strategic implementation levers?

Answer: Strategic implementation levers are the tools and resources that leaders use to carry out strategies. There are three types of strategic levers: organizational structure, systems and processes, and people and rewards.

Diff: 1 Type: SA Page Ref: 17-20

Topic/Objective: CH1: Strategy Formulation and Implementation

Skill: Definition

AACSB Coding: None

7. What is the definition of *strategic alignment*?

Answer: Strategic alignment is a requirement for effective strategy development. It means that all of the firm's activities are integrated and complement each other in support of the firm's strategy.

Diff: 2 Type: SA Page Ref: 21

Topic/Objective: CH1: Strategy Formulation and Implementation

Skill: Definition

AACSB Coding: None

8. What role does strategic leadership play in the strategy implementation process?

Answer: Strategic leadership is responsible for 1) making substantive resource allocation decisions and 2) developing support for the strategy from key stakeholders.

Diff: 2 Type: SA Page Ref: 21

Topic/Objective: CH1: Strategy Formulation and Implementation

Skill: Analytical

AACSB Coding: Analytic Skills

9. According to Michael Porter's theory, what factors determine competitive advantage?

Answer: This theory, sometimes called industrial organization economics (I/O economics), suggests that firms should do one of two things: 1) position themselves to compete in attractive industries or 2) adopt strategies that will make their current industries more attractive.

Diff: 2 Type: SA Page Ref: 24

Topic/Objective: CH1: What is Competitive Advantage?

Skill: Analytical

AACSB Coding: Analytic Skills

10. What is multimarket competition?

Answer: It is a competitive situation in which a firm encounters the same rivals or competitors in many different markets.

Diff: 1 Type: SA Page Ref: 25

Topic/Objective: CH1: What is Competitive Advantage?

Skill: Definition

AACSB Coding: None

11. How does business strategy differ from corporate strategy?

Answer: *Business strategy* refers to the ways a firm goes about achieving its objectives within a particular business. It focuses on achieving a firm's objectives within a particular business line. Two critical questions that business strategy must address are 1) how the firm will achieve its objectives today when other companies may be competing to satisfy the same customers' needs and 2) how the firm plans to compete in the future.

Corporate strategy addresses issues related to managing a company that operates in more than one business. Specifically, corporate strategy addresses three main questions: 1) In what businesses will we compete? 2) How can we, as a corporate parent, add value to our various lines of business? 3) How will diversification or our entry into a new industry help us to compete in our other industries?

Diff: 2 Type: SA Page Ref: 12

Topic/Objective: CH1: What is Strategic Management?

Skill: Analytical

AACSB Coding: Analytic Skills

12. What is the relationship between strategy formulation and strategy implementation?

Answer: Strategy formulation is the process of deciding what to do; strategy implementation is the process of performing all the activities necessary to do what has been planned.

Because neither can succeed without the other, the two processes are iterative and interdependent from the standpoint that implementation should provide information that is used to periodically modify the business and corporate strategy.

Diff: 3 Type: SA Page Ref: 12

Topic/Objective: CH1: Strategy Formulation and Implementation

Skill: Analytical

AACSB Coding: Analytic Skills

13. What are the two critical factors to consider when selecting differentiators?

Answer: In selecting differentiators, the first critical factor is that decisions must be made early.

Key differentiators rarely materialize without significant up-front decisions, and without valuable differentiators, firms tend to lose marketplace battles. Second, identifying and executing successful differentiators means making tough choices or tradeoffs. Managers who can't make tough decisions about tradeoffs often end up trying to satisfy too broad a spectrum of customer needs; as a result, they make too many strategic compromises and execute poorly on most dimensions.

Diff: 1 Type: SA Page Ref: 16

Topic/Objective: CH1: Strategy Formulation and Implementation

Skill: Analytical

AACSB Coding: Analytic Skills

14. What are the key elements of effective strategy implementation?

Answer: Strategy implementation is the process of taking the actions that put the strategy into effect and ensuring that organizational decisions are consistent with it. The process of implementation also encompasses the refinement, or change, of a strategy, as more information is made available through early implementation efforts. The goal of implementation is twofold:

- a. to make sure that strategy formulation is comprehensive and well informed and
- b. to translate good ideas into actions that can be executed (and sometimes to use execution to generate or identify good ideas).

Diff: 2 Type: SA Page Ref: 17

Topic/Objective: CH1: Strategy Formulation and Implementation

Skill: Analytical

AACSB Coding: Analytic Skills

ESSAY

1. What are the five elements of the strategy diamond? In a short essay, identify the five elements of strategy and provide an example of each.

Answer: The first element of the strategy diamond is **arenas**. Arenas are areas in which a firm will be active. Decisions about a firm's arenas may encompass its products, services, distribution channels, market segments, geographic areas, technologies, and even stages of the value-creation process. For example, Under Armour has made the choice to compete in performance apparel for men, women, and children.

The second element of the strategy diamond is **vehicles**. Vehicles are the means for participating in targeted arenas. For instance, a firm that wants to go international can achieve that objective in different ways. Under Armour has sent their own personnel over to Europe to open those operations.

Differentiators comprise the third element of the strategy diamond. Differentiators are the reasons why a firm's customers regularly choose its products or services over those of competitors. Differentiators can involve a number of common dimensions, including *image, customization, technical superiority, price, and quality and reliability*. For example, Under Armour gains sales in the marketplace through both image and technical superiority.

The fourth element of the strategy diamond, **staging**, refers to the timing and pace of strategic moves. Staging decisions are driven by several factors: resources, urgency, credibility, and the need for early wins. One staging example is the question of when Under Armour might choose to enter specific international markets.

The fifth element of the strategy diamond is **economic logic**, which refers to *how* the firm will earn a profit—that is, how the firm will generate positive returns over and above its cost of capital. Sometimes economic logic resides primarily on the *cost* side of the equation. Southwest Airlines, for example, can fly passengers for significantly lower costs per passenger mile than any major competitor. At other times, economic logic may rest on the firm’s ability to increase the customer’s willingness to pay premium prices for products.

Diff: 2 Type: ES Page Ref: 14–17
Topic/Objective: CH1: Strategy Formulation and Implementation
Skill: Analytical
AACSB Coding: Analytic Skills

2. What are the three main perspectives on competitive advantage and how do they differ?

Answer: The three main perspectives on competitive advantage are the internal perspective, the external perspective, and the dynamic perspective. These three perspectives reflect contrasting but complementary points of view. The *internal perspective* on competitive advantage focuses on resources and capabilities as internal sources of uniqueness that allow firms to beat the competition. In this view, no two firms are identical because they possess resources and capabilities of different qualities. The advantage goes to the firms with superior resources and capabilities.

The *external perspective* on competitive advantage contends that variations in firms’ competitive advantage and performance are primarily a function of industry attractiveness and the position of firms within the industry relative to competitors. Thus, the external perspective suggests that competitive advantage comes from a firm’s positioning within the competitive business environment.

The dynamic perspective, by contrast, focuses on the relative stability of the industry in which a firm operates. In this view, competitive advantage is more likely to endure in stable markets than in unstable ones. The competitive advantage held by one firm over another tends to change very slowly in stable markets but more quickly in unstable ones. The greater the degree of change in the environment, therefore, the greater will need be the dynamism of the strategy.

Diff: 2 Type: ES Page Ref: 23–25
Topic/Objective: CH1: What is Competitive Advantage?
Skill: Analytical
AACSB Coding: Analytic Skills