

True / False

1. Strategic competitiveness is achieved when a firm successfully formulates and implements a value-creating strategy.
- a. True
 - b. False

ANSWER: True*POINTS:* 1*DIFFICULTY:* Easy*REFERENCES:* 4*LEARNING OBJECTIVES:* STMA.HITT.15.01.01 - 01.01*NATIONAL STANDARDS:* United States - BUSPROG Reflective*STATE STANDARDS:* United States - AK - DISC: Strategy*KEYWORDS:* Bloom's: Knowledge*NOTES:* AACSB: Analytic | DISC: Strategy | Bloom: Knowledge

2. Alligator Enterprises has earned above-average returns since its founding five years ago. Since no other firm has challenged Alligator in its particular market niche, the firm's owners can feel secure that Alligator has established a competitive advantage.
- a. True
 - b. False

ANSWER: False*POINTS:* 1*DIFFICULTY:* Hard*REFERENCES:* 5*LEARNING OBJECTIVES:* STMA.HITT.13. - 1.4*NATIONAL STANDARDS:* United States - BUSPROG Reflective*STATE STANDARDS:* United States - AK - DISC: Strategy*KEYWORDS:* Bloom's: Application*NOTES:* AACSB: Analytic | DISC: Strategy | Bloom: Application

3. The goal of strategic management is to develop a competitive advantage that is permanent.
- a. True
 - b. False

ANSWER: False*POINTS:* 1*DIFFICULTY:* Medium*REFERENCES:* 5*LEARNING OBJECTIVES:* STMA.HITT.13. - 1.4*NATIONAL STANDARDS:* United States - BUSPROG Reflective*STATE STANDARDS:* United States - AK - DISC: Strategy*KEYWORDS:* Bloom's: Knowledge*NOTES:* AACSB: Reflective Thinking | DISC: Strategy | Bloom: Comprehension

4. Risk in terms of financial returns reflects an investor's uncertainty about economic gains or losses that will result from a particular investment.
- a. True
 - b. False

ANSWER: True

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 5

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NATIONAL STANDARDS: United States - BUSPROG Reflective

STATE STANDARDS: United States - AK - DISC: Strategy

KEYWORDS: Bloom's: Knowledge

NOTES: AACSB: Analytic | DISC: Strategy | Bloom: Knowledge

5. Average returns are returns in excess of what an investor expects to earn from other investments with a similar amount of risk.
- a. True
 - b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 5

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NATIONAL STANDARDS: United States - BUSPROG Reflective

STATE STANDARDS: United States - AK - DISC: Strategy

KEYWORDS: Bloom's: Knowledge

NOTES: AACSB: Analytic | DISC: Strategy | Bloom: Knowledge

6. Returns can only be measured in accounting terms such as return on assets, return on equity, or return on sales.
- a. True
 - b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 5

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NATIONAL STANDARDS: United States - BUSPROG Reflective

STATE STANDARDS: United States - AK - DISC: Strategy

KEYWORDS: Bloom's: Knowledge

NOTES: AACSB: Analytic | DISC: Strategy | Bloom: Knowledge

7. Economies of scale and huge advertising budgets are just as effective in the new competitive landscape as they were in the past, but they must be reinforced by strategic flexibility.
- a. True
 - b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Hard
REFERENCES: 7
LEARNING OBJECTIVES: STMA.HITT.13. - 1.4
NATIONAL STANDARDS: United States - BUSPROG Reflective
STATE STANDARDS: United States - AK - DISC: Strategy
KEYWORDS: Bloom's: Knowledge
NOTES: AACSB: Analytic | DISC: Strategy | Bloom: Knowledge

8. The two primary drivers of hypercompetition are the emergence of the global economy and technology.
- a. True
 - b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
REFERENCES: 8
LEARNING OBJECTIVES: STMA.HITT.13. - 1.4
NATIONAL STANDARDS: United States - BUSPROG Technology
STATE STANDARDS: United States - AK - DISC: Strategy
KEYWORDS: Bloom's: Knowledge
NOTES: AACSB: Analytic | DISC: Strategy | Bloom: Knowledge

9. The rate of technology diffusion has been steadily increasing over the last two decades.
- a. True
 - b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
REFERENCES: 11
LEARNING OBJECTIVES: STMA.HITT.13. - 1.4
NATIONAL STANDARDS: United States - BUSPROG Technology
STATE STANDARDS: United States - NJ - DISC: - Information Technologies
United States - AK - DISC: Motivation Concepts - Motivation Concepts
KEYWORDS: Bloom's: Knowledge
NOTES: AACSB: Technology | DISC: Information Technologies | Bloom: Knowledge

10. While patents may be an effective way of protecting proprietary technology in some industries such as pharmaceuticals, many firms competing in the electronics industry do not apply for patents.

- a. True
- b. False

ANSWER: True

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 11–12

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NATIONAL STANDARDS: United States - BUSPROG Technology

STATE STANDARDS: United States - AK - DISC: Motivation Concepts - Motivation Concepts

KEYWORDS: Bloom's: Application

NOTES: AACSB: Technology | DISC:Information Technologies | Bloom: Application

11. Examples of incremental innovations include iPods, PDAs, Wi-Fi, and web browser software.

- a. True
- b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 12

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NATIONAL STANDARDS: United States - BUSPROG Technology

STATE STANDARDS: United States - AK - DISC: Motivation Concepts - Motivation Concepts

KEYWORDS: Bloom's: Application

NOTES: AACSB: Technology | DISC:Information Technologies | Bloom: Application

12. The rapid rate of technological diffusion has increased the competitive benefits of patents.

- a. True
- b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 11–12

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NATIONAL STANDARDS: United States - BUSPROG Technology

KEYWORDS: Bloom's: Knowledge

NOTES: AACSB: Technology | DISC:Information Technologies | Bloom: Comprehension

13. Developed countries still have major advantages in access to information technology over emerging economies because of the significant cost of the infrastructure needed for computing power.

- a. True
- b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 12

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NATIONAL STANDARDS: United States - BUSPROG Technology

KEYWORDS: Bloom's: Knowledge

NOTES: AACSB: Technology | DISC:Information Technologies | Bloom: Knowledge

14. The rate of growth of Internet-based applications could be affected by the possibility of Internet service providers charging users for downloading those applications.

- a. True
- b. False

ANSWER: True

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 13

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NATIONAL STANDARDS: United States - BUSPROG Technology

KEYWORDS: Bloom's: Knowledge

NOTES: AACSB: Technology | DISC:Information Technologies | Bloom: Comprehension

15. The new CEO of Opacity Enterprises is determined to make the long-established firm strategically flexible. The CEO feels that the employees of the company have the ability, training, and resources to engage in continuous learning. The main obstacle the CEO must face is inertia.

- a. True
- b. False

ANSWER: True

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 13

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NATIONAL STANDARDS: United States - BUSPROG Technology

KEYWORDS: Bloom's: Application

NOTES: AACSB: Technology | DISC:Information Technologies | Bloom: Application

16. The I/O (industrial organization) model assumes that the uniqueness of a firm's resources and capabilities is its main source of above-average returns.
- a. True
 - b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 14

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NATIONAL STANDARDS: United States - BUSPROG Reflective

KEYWORDS: Bloom's: Knowledge

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Strategic & systems skills | Bloom: Comprehension

17. The CEO of Twin Spires, Inc., is emotionally and intellectually committed to using the resources of the firm to serve the needs of the natural gardening community by providing rare and native plants to individuals and nurseries around the United States. This commitment has carried the CEO through long periods of below-average returns on investment. The perspective of the CEO of Twin Spires is consistent with the assumptions of the industrial organization (I/O) model.
- a. True
 - b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 14

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NATIONAL STANDARDS: United States - BUSPROG Reflective

KEYWORDS: Bloom's: Application

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Strategic & systems skills | Bloom: Application

18. Although the fast food (or quick-service) industry is unattractive, McDonald's has earned above-average returns through product innovations, enhancing existing facilities, and buying properties outside the United States.
- a. True
 - b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 14

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

KEYWORDS: Bloom's: Application

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Application

19. The five forces model suggests that firms should target the industry with the highest potential for above-average returns and then implement either a cost-leadership strategy or a differentiation strategy.
- a. True
 - b. False

ANSWER: True

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 14

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

KEYWORDS: Bloom's: Application

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Knowledge

20. The uniqueness of a firm's resources and capabilities is the basis for a firm's strategy and determines its ability to earn above-average returns under the I/O view.
- a. True
 - b. False

ANSWER: True

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 17

LEARNING OBJECTIVES: STMA.HITT.15.01.04 - 01.04

NATIONAL STANDARDS: United States - BUSPROG: Analytic

STATE STANDARDS: United States - AK - DISC: Motivation Concepts - Motivation Concepts

KEYWORDS: Bloom's: Comprehension

21. Research shows that a greater percentage of a firm's profitability is explained by the I/O rather than the resource-based model.
- a. True
 - b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 17

LEARNING OBJECTIVES: STMA.HITT.15.01.04 - 01.04

NATIONAL STANDARDS: United States - BUSPROG: Analytic

STATE STANDARDS: United States - AK - DISC: Motivation Concepts - Motivation Concepts

KEYWORDS: Bloom's: Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Strategy | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

22. The resource-based model assumes that if firms have resources that are rare or costly to imitate, this is sufficient to form a basis for competitive advantage.

- a. True
- b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 17–18

LEARNING OBJECTIVES: STMA.HITT.15.01.04 - 01.04

NATIONAL STANDARDS: United States - BUSPROG: Analytic

STATE STANDARDS: United States - AK - DISC: Motivation Concepts - Motivation Concepts

KEYWORDS: Bloom's: Comprehension

23. Resources are considered rare when they have no structural equivalent.

- a. True
- b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 17

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Strategy | Dierdorff & Rubin: Managing strategy & innovation | Bloom: Knowledge

24. The assumptions of the industrial organization model and the resource-based model are contradictory. Therefore, organizational strategists must choose one or the other model as the basis for developing a strategic plan.

- a. True
- b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 17

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NATIONAL STANDARDS: United States - BUSPROG: Analytic

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Strategy | Dierdorff & Rubin: Managing strategy & innovation | Bloom: Comprehension

25. An effective vision statement will specify the market to be served.

- a. True
- b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 19

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Strategy | Dierdorff & Rubin: Managing decision-making processes | Bloom: Comprehension

26. An effective vision stretches and challenges people and can result in increased innovation as illustrated by Apple's CEO Steve Jobs, who was known to think bigger and differently than most people ("putting a dent in the universe").

- a. True
- b. False

ANSWER: True

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 19

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Strategy | Dierdorff & Rubin: Managing decision-making processes | Bloom: Application

27. Organizational mission statements typically do not include statements about profitability and earning above-average returns.

- a. True
- b. False

ANSWER: True

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 19–20

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Strategy | Dierdorff & Rubin: Managing decision-making processes | Bloom: Knowledge

28. A firm's mission tends to be enduring while its vision can change in light of changing environmental conditions.

- a. True
- b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 19

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Legal Responsibilities | Dierdorff & Rubin: Managing decision-making processes | Bloom: Knowledge

29. Organizational stakeholders are the firm's internal resources, capabilities, and core competencies that are used to accomplish what may at first appear to be unattainable goals in the competitive environment.

- a. True
- b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 20

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Legal Responsibilities | Dierdorff & Rubin: Knowledge of general business functions | Bloom: Knowledge

30. The degree to which the firm is dependent on a stakeholder group gives that stakeholder less influence.

- a. True
- b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 20

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Creation of Value | Dierdorff & Rubin: Foundational skills | Bloom: Comprehension

31. Relative power is the most critical criterion for prioritizing the demands of stakeholders.

- a. True
- b. False

ANSWER: True

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 21–22

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Knowledge

32. Hourly workers on the production line of a chicken-processing plant are considered organizational stakeholders.

- a. True
- b. False

ANSWER: True

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 23
21 (Figure 1.4)

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Legal Responsibilities | Dierdorff & Rubin: Knowledge of general business functions | Bloom: Application

33. Customers, suppliers, unions, and local governments are examples of capital market stakeholders.

- a. True
- b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 22–23
21 (Figure 1.4)

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Legal Responsibilities | Dierdorff & Rubin: Knowledge of general business functions | Bloom: Knowledge

34. When the firm earns lower-than-average returns, the highest priority is given to satisfying the needs of capital market stakeholders over the needs of product market and organizational shareholders.

- a. True
- b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 22–23

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Legal Responsibilities | Dierdorff & Rubin: Knowledge of general business functions | Bloom: Knowledge

35. Six years ago, Colette Smith founded a successful catering company that specializes in providing a wide assortment of miniature cheesecakes for corporate and social events. Although Ms. Smith is no longer active in the actual production of the cheesecakes, she continues as president of the catering company. Ms. Smith could be considered a strategic leader of this firm.

- a. True
- b. False

ANSWER: True

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 23–24

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Leadership Principles | Dierdorff & Rubin: Learning, motivation, & leadership | Bloom: Application

36. Although organizational cultures vary considerably, one cannot make an objective judgment that some organizational cultures are more or less functional than others.

- a. True
- b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 24

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Group Dynamics | Dierdorff & Rubin: Learning, motivation, & leadership | Bloom: Knowledge

37. Strategic leaders must have a strong strategic orientation while embracing change in the dynamic competitive landscape.

- a. True
- b. False

ANSWER: True

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 24

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Leadership Principles | Dierdorff & Rubin: Learning, motivation, & leadership | Bloom: Comprehension

38. Profit pools allow strategic leaders to predict the outcomes of their decisions before taking efforts to implement them.

- a. True
- b. False

ANSWER: True

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 25

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Strategy | Dierdorff & Rubin: Managing decision-making processes | Bloom: Comprehension

39. Corporate-level strategy in a diversified organization requires a common business strategy for each component business.

- a. True
- b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 26

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Strategy | Dierdorff & Rubin: Strategic & systems skills | Bloom: Comprehension

40. An organization's willingness to tolerate or encourage unethical behavior is a reflection of its core values.

- a. True
- b. False

ANSWER: True

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 27

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Ethics | Management: Ethical Responsibilities | Dierdorff & Rubin: Managing administration & control | Bloom: Comprehension

Multiple Choice

41. McDonald's has been able to

- a. earn above-average returns.
- b. achieve strategic competitiveness.
- c. use the strategic management process.
- d. All of these options are correct.

ANSWER: d

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 3-4

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Strategy | Dierdorff & Rubin: Managing strategy & innovation | Bloom: Application

42. A firm has achieved _____ when it successfully formulates and implements a value-creating strategy.

- a. strategic competitiveness
- b. a permanently sustainable competitive advantage
- c. substantial returns
- d. legal and ethical core values

ANSWER: a

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 4

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Strategy | Dierdorff & Rubin: Strategic & systems skills | Bloom: Comprehension

43. A competitive advantage

- a. can be permanent if the firm has successfully implemented the strategic management process.
- b. entails reducing investors' risk to near zero.
- c. can be identified only if it has been unsuccessfully challenged by competitors.
- d. exists when competing firms are unable to find investors.

ANSWER: c

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 5

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Creation of Value | Dierdorff & Rubin: Managing strategy & innovation | Bloom: Comprehension

44. Above-average returns are

- a. higher profits than the firm earned the previous year.
- b. higher profits than the industry averaged over the last 10 years.
- c. profits in excess of what an investor expects to earn from a historical pattern of performance of the firm.
- d. returns in excess of what an investor expects to earn from other investments with a similar level of risk.

ANSWER: d

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 5

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Strategy | Dierdorff & Rubin: Foundational skills | Bloom: Knowledge

45. The strategic management process is

- a. a set of activities that will assure a sustainable competitive advantage and above-average returns for the firm.
- b. a decision-making activity concerned with a firm's internal resources, capabilities, and competencies, independent of the conditions in its external environment.
- c. a process directed by top-management with input from other stakeholders that seeks to achieve above-average returns for investors through effective use of the organization's resources.
- d. the full set of commitments, decisions, and actions required for the firm to achieve above-average returns and strategic competitiveness.

ANSWER: d

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 5

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Strategy | Dierdorff & Rubin: Strategic & systems skills | Bloom: Comprehension

46. The primary drivers of hypercompetition are
- a. rising global socio-economic instability and increased inflation.
 - b. the emergence of a global economy and rapid technological change.
 - c. increased global competition and decreased tariffs.
 - d. increased availability of capital and increased competition.

ANSWER: b

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 8

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Knowledge

47. All of the following are characteristic of the global economy EXCEPT
- a. the increasing importance of developing countries as sources of revenue growth.
 - b. the free movement of goods, services, people, skills, and ideas across geographic borders.
 - c. the increased use of tariffs to protect industries.
 - d. higher levels of opportunities and challenges.

ANSWER: c

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 8

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Multicultural & Diversity | Management: Environmental Influence | Dierdorff & Rubin: Managing strategy & innovation | Bloom: Comprehension

48. Essentially, _____ has become one of the world's largest markets with 700 million potential consumers.
- a. the European Union
 - b. the United States
 - c. China
 - d. Japan

ANSWER: a

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 8

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Multicultural & Diversity | Management: Environmental Influence | Dierdorff & Rubin: Managing strategy & innovation | Bloom: Knowledge

49. _____ has become the second-largest economy in the world.

- a. The United States
- b. The European Union
- c. Japan
- d. China

ANSWER: d

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 8

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Multicultural & Diversity | Management: Environmental Influence |
Dierdorff & Rubin: Managing strategy & innovation | Bloom: Application

50. The economic interdependence among countries as reflected in the flow of goods, services, financial capital, and knowledge across country borders is defined as

- a. hypercompetition.
- b. boundaryless retailing.
- c. strategic intensity.
- d. globalization.

ANSWER: d

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 10

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Multicultural & Diversity | Management: Environmental Influence |
Dierdorff & Rubin: Managing strategy & innovation | Bloom: Comprehension

51. Globalization has led to

- a. lower operational efficiency as firms must transport raw materials and finished goods farther.
- b. increasing loyalty of customers for products made domestically.
- c. declining returns from investment in research and development.
- d. higher product quality.

ANSWER: d

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 10

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Multicultural & Diversity | Management: Environmental Influence |
Dierdorff & Rubin: Managing strategy & innovation | Bloom: Comprehension

52. The "liability of foreignness" is the
- inability of most U.S. managers to truly comprehend foreign cultures.
 - political disadvantage that U.S. firms have when doing business abroad.
 - overall risk of participating outside a firm's domestic country when entering global competition.
 - strong cultural preference for "buying local," which puts foreign firms at a disadvantage when competing in the U.S. market.

ANSWER: c

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 10

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Multicultural & Diversity | Management: Strategy | Dierdorff & Rubin: Managing administration & control | Bloom: Knowledge

53. Even for companies capable of succeeding in global markets, it is critical that they
- remain committed to and strategically competitive in their domestic market.
 - introduce many new products immediately after entering a new market.
 - acquire a local competitor in each significant foreign market.
 - develop good negotiating skills in order to take advantage of local suppliers in the international market.

ANSWER: a

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 11

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Strategy | Dierdorff & Rubin: Managing decision-making processes | Bloom: Comprehension

54. The rate of technological diffusion is increasing. Which of the following was fastest in penetrating 25 percent of homes in the U.S. market?
- telephone
 - television
 - personal computer
 - Internet

ANSWER: d

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 11

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Knowledge of technology, design, & production | Bloom: Knowledge

55. New markets created by iPods, PDAs, and Wi-Fi are a result of
- disruptive technologies.
 - global competition.
 - knowledge intensity.
 - hypercompetition.

ANSWER: a

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 12

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Knowledge of technology, design, & production | Bloom: Application

56. Apple's iPod and iPad are examples of
- the march of globalization.
 - rapid technological diffusion.
 - disruptive technologies.
 - products that were not imitated by competitors.

ANSWER: c

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 12

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Knowledge of technology, design, & production | Bloom: Application

57. The ability to effectively and efficiently access and use information is
- vitaly important at the point where a domestic firm enters the global market.
 - an important source of competitive advantage in virtually all industries.
 - the minimum required for survival in virtually any industry.
 - critically important mainly in high technology industries.

ANSWER: b

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 12

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Information Technology | Management: Information Technology | Dierdorff & Rubin: Managing decision-making processes | Bloom: Comprehension

58. The CEO of Ridgeway, Inc., realizes that the company's survival depends on developing and acquiring knowledge. Which of the following actions by the CEO would be most consistent with this need?
- a. ensuring that all current unique knowledge of the firm is protected by patents
 - b. planning extensive employee training and hiring educated and experienced employees
 - c. investing in sophisticated databases in relevant knowledge areas
 - d. establishing a system of organizational intelligence gathering

ANSWER: b

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 13

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Strategy | Dierdorff & Rubin: Managing decision-making processes | Bloom: Application

59. Knowledge is composed of all the following EXCEPT
- a. insight.
 - b. expertise.
 - c. information.
 - d. intelligence.

ANSWER: a

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 13

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Leadership Principles | Dierdorff & Rubin: Managing decision-making processes | Bloom: Knowledge

60. Which of the following statements about organizational knowledge is correct?
- a. Knowledge is an intangible resource.
 - b. The importance of knowledge is increasing.
 - c. The value of knowledge as a proportion of shareholder value is increasing.
 - d. All of these options are correct.

ANSWER: d

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 13

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Leadership Principles | Dierdorff & Rubin: Managing decision-making processes | Bloom: Comprehension

61. In order to cope with hypercompetition, firms need to develop _____ through continuous learning.
- a. competitive resilience
 - b. strategic flexibility
 - c. strategic power
 - d. competitive dominance

ANSWER: b

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 13

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

62. All of the following are assumptions of the industrial organization (I/O) model EXCEPT
- a. organizational decision makers are rational and committed to acting in the firm's best interests.
 - b. resources to implement strategies are firm-specific and attached to firms over the long-term.
 - c. the external environment is assumed to impose pressures and constraints that determine the strategies that result in above-average returns.
 - d. firms in given industries, or given industry segments, are assumed to control similar strategically relevant resources.

ANSWER: b

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 14

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Strategic & systems skills | Bloom: Comprehension

63. The industrial organization (I/O) model argues that
- a. the key factor in success is choosing the correct industry in which to compete.
 - b. the firm's internal resources and capabilities represent the foundation for development of a value-creating strategy.
 - c. the key to earning above-average returns is strategic flexibility.
 - d. the internal structure of the organization must match the industry in which it competes in order to earn above-average returns on investment.

ANSWER: a

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 15
15 (Figure 1.2)

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Strategic & systems skills | Bloom: Knowledge

64. Which of the following statements is most consistent under the I/O view? Performance of the firm is most directly attributable to
- a. the power of the financial market stakeholders.
 - b. the resources the firm possesses.
 - c. the profitability of the industry in which the firm competes.
 - d. hypercompetition within the industry.

ANSWER: c

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 15

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Strategic & systems skills | Bloom: Comprehension

65. Firms use the five forces model to identify the _____ of the industry as measured by its
- a. size; number of competitors.
 - b. globalization; exports.
 - c. hypercompetition; technology diffusion.
 - d. attractiveness; profitability.

ANSWER: d

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 14

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Strategic & systems skills | Bloom: Knowledge

66. Although McDonald's is competing in an unattractive industry, it has improved its performance by focusing on product innovations and by enhancing existing facilities. This improved performance is best explained by
- a. globalization.
 - b. the resource-based model.
 - c. the I/O model.
 - d. hypercompetition.

ANSWER: b

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 5, 14

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Creation of Value | Dierdorff & Rubin: Strategic & systems skills | Bloom: Application

67. An investor is considering in which of two start-up companies to invest. The investor has faith in the industrial organization model of above-average returns and is using its concepts to make a decision. Both start-up companies propose to manufacture health-focused foods with such characteristics as low salt, low sugar, high fiber, and no artificial additives. RexRich Foods has a business strategy of producing a differentiated product for which consumers will pay more. Green Pastures Foods is in the health-foods industry because of its internal culture and commitment to healthful lifestyles. Which firm will the investor feel is most consistent with the model of industrial organization?
- a. Green Pastures Foods
 - b. RexRich Foods
 - c. Both firms are consistent with the I/O approach.
 - d. At the entrepreneurial stage, the model which companies follow is not important.

ANSWER: b

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 14-19

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Reflective Thinking Skills | Management: Environmental Influence |
Dierdorff & Rubin: Strategic & systems skills | Bloom: Application

68. Research shows that approximately _____ percent of a firm's profitability is explained by the industry in which it competes, whereas _____ percent is explained by the firm's characteristics and actions.
- a. 90; 10
 - b. 60; 40
 - c. 36; 20
 - d. 20; 36

ANSWER: d

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 15

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental
Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Knowledge

69. All of the following are resources of an organization EXCEPT
- a. an hourly production employee's ability to catch subtle quality defects in products.
 - b. oil drilling rights in a promising region.
 - c. weak competitors in the industry.
 - d. a charity's endowment of \$400 million.

ANSWER: c

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 17

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Strategy | Dierdorff
& Rubin: Managing strategy & innovation | Bloom: Knowledge

70. All of the following are assumptions of the resource-based model EXCEPT
- a. each firm is a unique collection of resources and capabilities.
 - b. the industry's structural characteristics have little impact on a firm's performance over time.
 - c. capabilities are highly mobile across firms.
 - d. differences in resources and capabilities are the basis of competitive advantage.

ANSWER: c

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 17

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Strategy | Dierdorff & Rubin: Managing strategy & innovation | Bloom: Comprehension

71. _____ is a capacity for a set of resources to perform a task or an activity in an integrative manner.
- a. A capability
 - b. A core competence
 - c. Sustainable competitive advantage
 - d. Organizational intelligence

ANSWER: a

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 17

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Creation of Value | Dierdorff & Rubin: Managing strategy & innovation | Bloom: Knowledge

72. When resources and capabilities serve as a source of competitive advantage for a firm, the firm has created a(n)
- a. strategic mission.
 - b. inspiring vision.
 - c. core competence.
 - d. sustainable market niche.

ANSWER: c

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 17

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Creation of Value | Dierdorff & Rubin: Managing strategy & innovation | Bloom: Knowledge

73. In the resource-based model, which of the following factors would be considered a key to organizational success?
- a. unique market niche
 - b. weak competition
 - c. economies of scale
 - d. skilled employees

ANSWER: d

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 17

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: HRM | Dierdorff & Rubin: Managing human capital | Bloom: Comprehension

74. To have the potential to become sources of competitive advantage, resources and capabilities must be non-substitutable, valuable, _____, and
- a. unique; easy to imitate.
 - b. easy to imitate; difficult to implement.
 - c. rare; costly to imitate.
 - d. easy to implement; unique.

ANSWER: c

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 17

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Creation of Value | Dierdorff & Rubin: Strategic & systems skills | Bloom: Knowledge

75. The resource-based model of the firm argues that
- a. all resources have the potential to be the basis of sustainable competitive advantage.
 - b. resources alone can be a source of sustainable competitive advantage.
 - c. the key to competitive success is the structure of the industry in which the firm competes.
 - d. resources that are valuable, rare, costly to imitate, and non-substitutable form the basis of a firm's core competencies.

ANSWER: d

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 17

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Creation of Value | Dierdorff & Rubin: Strategic & systems skills | Bloom: Comprehension

76. The resource-based view of the firm

- a. emphasizes that it is difficult to develop and sustain a competitive advantage based on resources alone.
- b. argues that the industry environment has a stronger influence on firms' ability to implement strategies successfully than does the competitor environment.
- c. calls for firms to focus on their homogeneous capabilities to compete against their rivals.
- d. suggests that vision and mission are closely linked to sustainable competitive advantage.

ANSWER: a

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 18

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Creation of Value | Dierdorff & Rubin: Strategic & systems skills | Bloom: Comprehension

77. The goal of the organization's _____ is to point the firm in the direction of where it would like to be in the years to come.

- a. vision
- b. mission
- c. culture
- d. strategy

ANSWER: a

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 19

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Strategy | Dierdorff & Rubin: Learning, motivation, & leadership | Bloom: Comprehension

78. The Princeton Alliance Church states in its website that "PAC exists to help you live life to the fullest by knowing God, developing community and bringing hope." This pronouncement is most precisely a statement of organizational

- a. values.
- b. mission.
- c. vision.
- d. culture.

ANSWER: c

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 19

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Strategy | Dierdorff & Rubin: Learning, motivation, & leadership | Bloom: Application

79. A firm's mission

- a. is a statement of a firm's business in which it intends to compete and the customers it intends to serve.
- b. is an internally focused affirmation of the organization's financial, social, and ethical goals.
- c. is mainly intended to emotionally inspire employees and other stakeholders.
- d. is developed by a firm before the firm develops its vision.

ANSWER: a

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 19

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Strategy | Dierdorff & Rubin: Learning, motivation, & leadership | Bloom: Comprehension

80. The final responsibility for forming the organization's mission lies with the

- a. CEO.
- b. top-management team.
- c. employees.
- d. organization's stakeholders.

ANSWER: a

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 20

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Strategy | Dierdorff & Rubin: Learning, motivation, & leadership | Bloom: Knowledge

81. Who typically develops a firm's mission statement?

- a. only the CEO
- b. only top managers
- c. the CEO and top managers
- d. the CEO, COO, and CFO only

ANSWER: c

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 20

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Strategy | Dierdorff & Rubin: Managing decision-making processes | Bloom: Knowledge

82. *Organizational* stakeholders include

- a. unions.
- b. host communities.
- c. employees.
- d. suppliers of capital.

ANSWER: c

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 21
21 (Figure 1.4)

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Strategy | Dierdorff & Rubin: Knowledge of general business functions | Bloom: Knowledge

83. The interests of an organization's stakeholders often conflict, and the organization must prioritize its stakeholders if it cannot satisfy them all. The _____ is the most critical criterion in prioritizing stakeholders.

- a. power of each stakeholder
- b. urgency of satisfying each stakeholder
- c. vulnerability of organizational stakeholders
- d. social value of each stakeholder

ANSWER: a

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 21

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Legal Responsibilities | Dierdorff & Rubin: Managing decision-making processes | Bloom: Knowledge

84. *Capital market* stakeholders include

- a. industry competitors.
- b. shareholders.
- c. employees.
- d. government regulators.

ANSWER: b

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 21
21 (Figure 1.4)

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing administration & control | Bloom: Knowledge

85. Dissatisfied capital market stakeholders may

- a. sell their stock.
- b. tighten loan covenants.
- c. seek to increase their power.
- d. All of these options are correct.

ANSWER: d

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 22

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Legal Responsibilities | Dierdorff & Rubin: Managing administration & control | Bloom: Comprehension

86. Greenleaf Property Management has been earning below-average returns for the last three years. Which of the following statements are true?

- a. Greenleaf will be able to satisfy its multiple stakeholders easily as long as the stakeholders are committed to the strategic mission of the firm.
- b. Greenleaf will be able to at least minimally satisfy the demands of each stakeholder.
- c. Greenleaf will need to prioritize the demands of its stakeholders based on the political influence each wields.
- d. Greenleaf will not be able to minimally satisfy all stakeholders.

ANSWER: d

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 22

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Legal Responsibilities | Dierdorff & Rubin: Managing administration & control | Bloom: Application

87. Product market stakeholders include the firm's customers, and the principal concern of this stakeholder group is

- a. maximizing the firm's return on investment.
- b. receiving the highest-quality products and services in the industry.
- c. obtaining reliable products at the lowest possible price.
- d. increasing the profitability of the firm.

ANSWER: c

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 23

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing administration & control | Bloom: Comprehension

88. Generally speaking, product market stakeholders are satisfied when
- a. a firm's profit margin yields the lowest return to capital market stakeholders that is acceptable to them.
 - b. a firm's profit margin yields an above-average return to its capital market stakeholders.
 - c. the interests of the firm's organizational stakeholders have been maximized.
 - d. the interests of all stakeholders have been at least minimally satisfied.

ANSWER: a

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 23

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing administration & control | Bloom: Comprehension

89. Before liquidating, Circuit City took several actions to try to satisfy its _____ stakeholders.
- a. capital market
 - b. product market
 - c. organizational
 - d. governmental

ANSWER: a

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 22

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Creation of Value | Dierdorff & Rubin: Managing strategy & innovation | Bloom: Application

90. The Chambers of Commerce of cities and towns often implore citizens to buy from local businesses. This is because the organization's role as a taxpayer is most important to _____ as stakeholders.
- a. major suppliers of capital
 - b. shareholders
 - c. host communities
 - d. unions

ANSWER: c

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 23

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing administration & control | Bloom: Knowledge

91. Although it closed stores, changed the top management team, and sought potential buyers, none of these actions resulted in outcomes that allowed Circuit City to meet the expectations of its _____ stakeholders.
- a. product market
 - b. capital market
 - c. organizational
 - d. governmental

ANSWER: b

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 22

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing decision-making processes | Bloom: Application

92. Organizational stakeholders are usually satisfied when
- a. their return on investment has been maximized.
 - b. customers pay the highest sustainable price for the goods and services they receive.
 - c. companies provide a dynamic, stimulating, and rewarding work environment.
 - d. companies are paying the highest prices to suppliers.

ANSWER: c

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 23

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing administration & control | Bloom: Comprehension

93. Product market stakeholders include
- a. suppliers.
 - b. shareholders.
 - c. employees.
 - d. the firm's chief executive officer.

ANSWER: a

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 22

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing decision-making processes | Bloom: Knowledge

94. Refuge Nursing Homes, Inc., (RNH) has been highly profitable in the past 10 years, providing its investors higher returns than those earned by its direct competitors' investors. RNH has a reputation for providing high-paying managerial and hourly-employee jobs. However, recent investigations have revealed that the nursing home residents have been provided substandard care, including non-nutritious and unappetizing meals, non-functional medical equipment, and inadequate patient-care staffing. Which statement best describes the situation?
- a. RNH has been earning below-average returns, so it has had to prioritize the demands of its various stakeholders.
 - b. RNH has prioritized the demands of capital market stakeholders over the demands of product market stakeholders.
 - c. RNH has earned above-average returns and so has satisfied the needs of all relevant stakeholders.
 - d. RNH has been attempting to minimally satisfy the demands of all of its stakeholders.

ANSWER: b

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 22

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Legal Responsibilities | Dierdorff & Rubin: Managing strategy & innovation | Bloom: Application

95. A prominent national accounting firm runs television advertisements showing an accountant working alone late in the office on a client's project, while clenching a long-stemmed rose in his teeth and grinning ecstatically. The message of the ad is that this firm's accountants love their work. This ad seeks to convey a sense of the organization's ____ to the viewers.
- a. culture
 - b. mission
 - c. vision
 - d. personality

ANSWER: a

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 24

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Creation of Value | Dierdorff & Rubin: Managing strategy & innovation | Bloom: Application

96. The global economy, globalization, rapid technological change, and the increasing importance of knowledge are creating the need to
- a. delegate strategic responsibilities to employees "closer to the action."
 - b. split responsibilities between the CEO and the board of directors as a result of corporate scandals triggered by unethical CEOs.
 - c. re-centralize the responsibility for strategy to the CEO.
 - d. expand the strategic responsibilities to all organizational stakeholders.

ANSWER: a

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 24

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Strategy | Dierdorff & Rubin: Managing decision-making processes | Bloom: Knowledge

97. The strategic leader's work is characterized by
- a. ambiguous decision situations which make effective decisions difficult to determine.
 - b. a willingness to unify stakeholders through skillful manipulation.
 - c. an ability to identify the correct solutions to long-range problems.
 - d. concentration on the practical day-to-day aspects of the organization's operations.

ANSWER: a

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 25

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Strategy | Dierdorff & Rubin: Learning, motivation, & leadership | Bloom: Comprehension

98. The profit pool is the
- a. pool of assets that is distributed to investors.
 - b. total profits earned in an industry along all points of the value chain.
 - c. profits that are accrued when a firm earns above-average returns.
 - d. total profits that can be divided among the competitors within an industry.

ANSWER: b

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 25

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Creation of Value | Dierdorff & Rubin: Managing the task environment | Bloom: Knowledge

99. The steps for identifying the profit pools in an industry include all of the following EXCEPT

- a. defining the boundaries of the pool.
- b. estimating the overall size of the pool.
- c. defining the competitors in the pool.
- d. estimating the size of the value-chain activity in the pool.

ANSWER: c

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 25

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Creation of Value | Dierdorff & Rubin: Managing decision-making processes | Bloom: Knowledge

100. Analysis of the industry's profit pool enables strategic managers to

- a. predict future revenue streams for the organization.
- b. predict growth in sales over the medium to long range.
- c. determine whether an industry will be viable in the long term.
- d. locate the most promising areas of an industry's value chain.

ANSWER: d

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 25–26

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Creation of Value | Dierdorff & Rubin: Managing decision-making processes | Bloom: Comprehension

101. If McDonald's were to map the profit pool in the quick-service restaurant industry, it would do all of the following EXCEPT

- a. define the industry's boundaries and size.
- b. estimate the profit potential in each part of the value chain.
- c. focus on unattractive industries ignored by competitors.
- d. select the strategy to use where the largest profit pools are located.

ANSWER: d

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 25

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Creation of Value | Dierdorff & Rubin: Managing decision-making processes | Bloom: Application

102. A major assumption about the strategic management process is that it is

- a. inspired.
- b. team-based.
- c. rational.
- d. inclusive.

ANSWER: c

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 26

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Reflective Thinking Skills | Management: Strategy | Dierdorff & Rubin: Managing decision-making processes | Bloom: Knowledge

103. A business-level strategy describes

- a. the businesses in which the company intends to compete.
- b. all policies and procedures used in functional departments.
- c. the firm's actions to exploit its competitive advantage over rivals.
- d. a firm's resources, intent, and mission.

ANSWER: c

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 26

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Strategy | Dierdorff & Rubin: Managing strategy & innovation | Bloom: Comprehension

104. In a diversified firm, corporate-level strategy is concerned with

- a. operating each individual business under the corporate umbrella.
- b. determining how each functional department of the firm will operate.
- c. determining in which businesses to compete and how resources will be allocated between businesses.
- d. coordinating the vision and mission of each subsidiary firm.

ANSWER: c

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 26

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Strategy | Dierdorff & Rubin: Knowledge of general business functions | Bloom: Comprehension

105. PGG Mining is making a strategic decision whether to shut down a coal mine in Pennsylvania. It is important to consider that the decision
- a. should be based solely on the results of profit-pool mapping.
 - b. has ethical implications for organizational stakeholders.
 - c. need not be socially responsible if the firm is making below-average returns from the mine.
 - d. All of these choices are important to consider.

ANSWER: b

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 27

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Ethics | Management: Ethical Responsibilities | Dierdorff & Rubin: Managing decision-making processes | Bloom: Application

106. It is well known that the elected school board of a large city engages in unethical and illegal activities involving the awarding of major contracts. This behavior has existed for decades, even as the membership in the school board has changed over time. This behavior reflects
- a. the core values of the school board as an organization.
 - b. a functional, although unethical, culture of the school board.
 - c. the lack of an organizational mission for the school board.
 - d. a school board lacking in core competencies.

ANSWER: a

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 27

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Ethics | Management: Ethical Responsibilities | Dierdorff & Rubin: Learning, motivation, & leadership | Bloom: Application

107. In smaller, new venture firms, returns are sometimes measured in terms of
- a. return on assets.
 - b. return on equity.
 - c. return on sales.
 - d. the amount and speed of growth.

ANSWER: d

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 5

NOTES: AACSB: Analytic | DISC: Strategy | Bloom: Knowledge

108. A _____ is an integrated and coordinated set of commitments and actions designed to exploit core competencies and gain a competitive advantage.
- a. goal
 - b. strategy
 - c. tactic
 - d. mission

ANSWER: b

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 4

NOTES: AACSB: Analytic | DISC: Strategy | Bloom: Knowledge

109. _____ is an investor's uncertainty about the economic gains or losses that will result from a particular investment.
- a. Return
 - b. Reward
 - c. Risk
 - d. Revenue

ANSWER: c

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 5

NOTES: AACSB: Analytic | DISC: Strategy | Bloom: Knowledge

110. The culmination of the strategic management process is
- a. performance.
 - b. strategy implementation.
 - c. strategy formulation.
 - d. analysis.

ANSWER: a

POINTS: 1

REFERENCES: 5

NOTES: AACSB: Analytic | DISC: Strategy | Bloom: Comprehension

111. Managers must adopt a new mind-set that values _____ and the challenges that evolve from constantly changing conditions.
- a. flexibility
 - b. innovation
 - c. speed
 - d. All of these options are correct.

ANSWER: d

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 7

NOTES: AACSB: Analytic | DISC: Strategy | Bloom: Knowledge

112. _____ innovation is a term used to describe how rapidly and consistently new, information-intensive technologies replace older ones.
- a. Perpetual
 - b. Disruptive
 - c. Global
 - d. Diffusion

ANSWER: a

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 11

NOTES: AACSB:Technology | DISC:Information Technologies | Bloom: Knowledge

113. _____ provides the firm with new and up-to-date skill sets, which allow it to adapt to its environment as it encounters changes.
- a. Strategic flexibility
 - b. Continuous learning
 - c. Knowledge
 - d. The Internet

ANSWER: b

POINTS: 1

REFERENCES: 13

NOTES: AACSB:Technology | DISC:Information Technologies | Bloom: Knowledge

114. The I/O model is grounded in
- a. anthropology.
 - b. psychology.
 - c. economics.
 - d. accounting.

ANSWER: c

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 14

NOTES: AACSB: Analytic | DISC: Strategy | Bloom: Knowledge

115. Firms use both the _____ and _____ models. In fact, these models complement each other in that one focuses outside the firm while the other focuses inside the firm.
- a. industry; capability
 - b. I/O; resource-based
 - c. competition; competency
 - d. industry; competency

ANSWER: b

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 14–19

NOTES: AACSB: Analytic | DISC: Strategy | Bloom: Knowledge

116. _____ should establish a firm's individuality and should be inspiring and relevant to all stakeholders.
- a. A strategy
 - b. A vision
 - c. A mission
 - d. A goal

ANSWER: c

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 20

NOTES: AACSB: Analytic | DISC: Strategy | Bloom: Knowledge

117. William Ackman is a hedge fund manager who owned a large share of J.C. Penney stock. He was also a member of the Penney board. He tried to get the CEO fired, but the board and top management said he breached his boardroom duties when he publicly disclosed information on the CEO search and financial condition of the company. He resigned from the board of directors. This is an example of a contentious relationship between
- a. the capital market stakeholders and the organizational stakeholders.
 - b. the organizational stakeholders and the product market stakeholders.
 - c. the capital market stakeholders and the product market stakeholders.
 - d. all the stakeholders.

ANSWER: a

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 21–23

NOTES: AACSB: Analytic | DISC: Strategy | Bloom: Knowledge

118. Strategic leaders are
- a. located only at the executive level.
 - b. located in different areas and levels.
 - c. the CEO, COO, and CFO only.
 - d. located at different levels, but only in the operating area of the organization.

ANSWER: b

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 23

NOTES: AACSB: Analytic | DISC: Strategy | Bloom: Knowledge

119. Successful strategic leaders are
- a. committed to helping the firm create value for all stakeholder groups.
 - b. committed to nurturing those around them.
 - c. decisive.
 - d. All of these options are correct.

ANSWER: d

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 23

NOTES: AACSB: Analytic | DISC: Strategy | Bloom: Knowledge

120. Strategic delegation helps
- a. overload middle managers.
 - b. executives control strategy implementation.
 - c. avoid too much managerial hubris.
 - d. emphasize profit maximization.

ANSWER: c

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 24

NOTES: AACSB: Analytic | DISC: Strategy | Bloom: Knowledge

121. Organizational culture refers to
- a. the social energy that drives, or fails to drive, the organization.
 - b. the complex set of ideologies, symbols, and core values that are shared throughout the firm.
 - c. what people do when no one else is looking.
 - d. All of these options are correct.

ANSWER: d

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 24

NOTES: AACSB: Analytic | DISC: Strategy | Bloom: Knowledge

122. Effective strategic leaders
- a. are willing to be brutally honest.
 - b. focus on strategy formation.
 - c. focus on strategy implementation.
 - d. focus on innovation.

ANSWER: a

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 24

NOTES: AACSB: Analytic | DISC: Strategy | Bloom: Knowledge

123. Strategic leaders, _____, often work long hours, and their work is filled with ambiguous decision situations.
- a. at the top of the organization
 - b. regardless of their location in the organization
 - c. in the finance area
 - d. in the operations area

ANSWER: b

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 24–25

NOTES: AACSB: Analytic | DISC: Strategy | Bloom: Knowledge

124. If McDonald's is considering growing potatoes, the step of the profit pool analysis is the one that
- a. defines the pool's boundaries.
 - b. estimates the pool's overall size.
 - c. estimates the size of the value-chain activity in the pool.
 - d. reconciles the calculations.

ANSWER: c

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 25

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Analytic | DISC: Strategy | Bloom: Application

125. If Southwest Airlines is considering the consequences of videoconferencing on business travel, it is in the profit pool analysis step known as
- a. defining the pool's boundaries.
 - b. estimating the pool's overall size.
 - c. estimating the size of the value-chain activity in the pool.
 - d. reconciling the calculations.

ANSWER: a

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 25

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Analytic | DISC: Strategy | Bloom: Application

126. SWOT stands for
- a. strategy, wealth, organization, and threats.
 - b. success, weakness, opportunities, and taxes.
 - c. strength, wealth, organization, and taxes.
 - d. strengths, weaknesses, opportunities, and threats.

ANSWER: d

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 26

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Analytic | DISC: Strategy | Bloom: Knowledge

127. In the strategic management process ASP stands for
- a. analyses, successes, and purposes.
 - b. analyses, strategies, and performance.
 - c. ability, strategies, and purposes.
 - d. ability, successes, and performance.

ANSWER: b

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 6, 26–27

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Analytic | DISC: Strategy | Bloom: Knowledge

128. The firm's _____ provide the foundation for choosing one or more _____ and deciding how to implement them.
- a. analyses; strengths
 - b. abilities; strengths
 - c. analyses; strategies
 - d. abilities; strategies

ANSWER: c

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 26

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Analytic | DISC: Strategy | Bloom: Knowledge

129. It is important to emphasize that, primarily because they are related to how a firm interacts with its stakeholders, almost all strategic management process decisions have
- a. ethical dimensions.
 - b. local dimensions.
 - c. political dimensions.
 - d. global dimensions.

ANSWER: a

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 27

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Analytic | DISC: Strategy | Bloom: Knowledge

130. A company competing in a single product market has
- a. one corporate-level strategy.
 - b. one business-level strategy.
 - c. one business-level strategy for failure. It should seek to diversify.
 - d. one business-level strategy and one corporate-level strategy.

ANSWER: d

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 26–27

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Analytic | DISC: Strategy | Bloom: Knowledge

131. The strategic management process is

- a. a set of activities that will assure a sustainable competitive advantage and above-average returns for the firm.
- b. a decision-making activity concerned with a firm's internal resources, capabilities, and competencies, independent of the conditions in its external environment.
- c. a process directed by top management with input from other stakeholders that seeks to achieve above-average returns for investors through effective use of the organization's resources.
- d. the full set of commitments, decisions, and actions required for the firm to achieve above-average returns and strategic competitiveness.

ANSWER: d

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 5

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Strategy | Dierdorff & Rubin: Strategic & systems skills | Bloom: Comprehension

Essay

132. Define strategic competitiveness and above-average returns. What is the relationship between strategic competitiveness and returns on investment?

ANSWER: Strategic competitiveness is achieved when the firm successfully formulates and implements a value-creating strategy. Above-average returns are returns in excess of what investors expect to earn from other investments with similar risk levels. Firms will only be able to earn above-average returns if they develop a competitive advantage. Competitive advantage derives from a strategy that competitors cannot duplicate or find too costly to imitate.

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 4-5

LEARNING OBJECTIVES: STMA.HITT.13.1-01 - 1.1

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Creation of Value | Dierdorff & Rubin: Strategic & systems skills | Bloom: Knowledge

133. Hypercompetition is a characteristic of the current competitive landscape. Define hypercompetition and identify its primary drivers. How can organizations survive in a hypercompetitive environment?

ANSWER: Hypercompetition is a condition of rapidly escalating competition based on price-quality positioning, competition to create new knowledge and establish first-mover advantage, and competition to protect or invade established product or geographic markets. In hypercompetition, firms aggressively challenge their competitors. Markets are assumed to be inherently unstable and changeable. The two primary drivers of hypercompetition are the global economy and rapid technological change. To survive in a hypercompetitive environment firms need strategic flexibility. This demands continuous learning which allows the firm to develop new skills so that they can adapt to the changing environment and to consistently engage in change.

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 7-8

LEARNING OBJECTIVES: STMA.HITT.13.1-02 - 1-02

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Synthesis

134. Describe the industrial organization (I/O) model of above-average returns. What are its main assumptions? What is the key to success according to the I/O model?

ANSWER: The I/O model of above-average returns argues that the external environment is the primary determinant of firm success, rather than the firm's internal resources. The model has four underlying assumptions. First, the external environment is assumed to impose pressures and constraints that determine the strategies that would result in above-average returns. Second, most firms competing within a particular industry, or in a certain segment of the industry, are assumed to control similar strategically relevant resources and pursue similar strategies in light of those resources. Third, resources used to implement strategies are mobile across firms, which results in resource differences between firms being short-lived. Fourth, organizational decision makers are assumed to be rational and committed to acting in the firm's best interests as shown by their profit-maximizing behaviors. The key to success according to the I/O model is to find the most attractive industry (the one with the highest profit potential) in which to compete.

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 14-17

LEARNING OBJECTIVES: STMA.HITT.13 - 1.3, 1.4

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Strategic & systems skills | Bloom: Comprehension

135. Describe and discuss the resource-based model of above-average returns.

ANSWER: The resource-based model focuses on the firm's internal resources and capabilities. These resources and capabilities determine the firm's strategy and its ability to earn above-average returns. The firm's resources are inputs into its production process. Resources must be formed into capabilities, the capacity to perform a task or activity in an integrative manner. According to this model, capabilities evolve over time and must be managed dynamically to achieve above-average returns. Resources and capabilities that give a firm a competitive advantage are called core competencies. This model assumes that resources are not highly mobile across firms; consequently, all firms within a particular industry may not possess the same strategically relevant resources and capabilities. So, different firms will have different core competencies. The organization's strategy is based on finding the best environment in which to exploit its core competencies.

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 17-19

LEARNING OBJECTIVES: STMA.HITT.13.1-04 - 1-04

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Strategic & systems skills | Bloom: Comprehension

136. What are a firm's vision and mission? What is the value to the firm of having a specified vision and mission?

ANSWER: The firm's vision is a picture of what it wants to be and what it wants to ultimately achieve. The firm's mission is based on its vision. It specifies the business(es) in which the firm intends to compete and the customers it intends to serve. The value of having a vision and mission is that they inform stakeholders what the firm is, what it seeks to accomplish, and who it seeks to serve. A successful vision is inspirational. The mission is more concrete and guides employees' behavior as they achieve the firm's vision. Research shows that an effectively formed vision and mission positively impact firm performance in terms of growth in sales, profits, employment, and net worth.

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 19-20

LEARNING OBJECTIVES: STMA.HITT.13.1-05 - 1-05

NOTES: AACSB: Reflective Thinking | DISC: Leadership Principles | Bloom: Comprehension

137. Describe an organization's various stakeholders and their different interests. Under what condition can the firm most easily satisfy all stakeholders? If the firm cannot satisfy all stakeholders, which ones must it satisfy in order to survive?

ANSWER: Stakeholders are the individuals and groups who can affect and are affected by the strategic outcomes achieved and who have enforceable claims on a firm's performance. There are three principal types of stakeholders. First, there are the *capital market stakeholders*. These stakeholders include the shareholders and the major suppliers of capital to the firm. They are most interested in the return on capital in relation to the risk incurred. The second group of stakeholders is the *product market stakeholders*. This group includes customers, suppliers, host communities, and unions representing workers. The customers seek a reliable product at the lowest possible price. The suppliers seek loyal customers willing to pay the highest sustainable price. Host communities want companies willing to be long-term employers and providers of tax revenues. Union officials want secure jobs with good working conditions for the workers they represent. The final group of stakeholders is the *organizational stakeholders*. This group includes the employees (both managerial and non-managerial). These stakeholders expect a firm to provide a dynamic, stimulating, and rewarding work environment. The firm can most easily satisfy all stakeholders if it earns above-average returns. If the firm does not earn above-average returns, it must prioritize its stakeholders by their power, urgency, and degree of importance to the firm. The firm must then make trade-offs among the stakeholders.

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 20-23

LEARNING OBJECTIVES: STMA.HITT.13.1-06 - 1-06

NOTES: AACSB: Reflective Thinking | DISC: Legal Responsibilities | Bloom: Comprehension

138. Who are the firm's strategic leaders? How do strategic leaders predict the profit outcomes of different strategic decisions?

ANSWER: The firm's strategic leaders include the CEO and top-level managers, but they also include organizational members who have been delegated strategic responsibilities. Strategic leaders use the strategic management process to help the firm reach its vision and mission. Mapping an industry's profit pool is one way strategic leaders can anticipate the profitability of different strategic decisions. A profit pool is the total profits earned in an industry along all points in the value chain. This helps the leaders determine where the primary sources of profit in the industry are located and allows them to take actions to tap these sources.

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 23-25

LEARNING OBJECTIVES: STMA.HITT.13.1-07 - 1-07

NOTES: AACSB: Reflective Thinking | DISC: Strategy | Bloom: Comprehension

139. Explain the relationship of the strategic management process to organizational ethics.

ANSWER: Almost all strategic management process decisions have ethical implications because they affect stakeholders. The decisions of the strategic leaders influence the organization's culture which is based on the organization's core values (which are also influenced by the strategic leaders). The organization's culture can be functional or dysfunctional, ethical or unethical. Consequently, the strategic leader's role has a large impact on whether the organization is a good citizen.

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 24

LEARNING OBJECTIVES: STMA.HITT.13.1-08 - 1-08

NOTES: AACSB:Reflective Thinking | DISC: Ethical Responsibilities | Bloom: Comprehension

140. What are the primary aspects of the strategic management process? You may reference specific chapters from the text in formulating your response.

ANSWER:

This is a roadmap question for the entire strategic management course. Students will likely have a far greater understanding of the big picture after having gone through the entire course.

The strategic management process consists of three primary processes: *analysis* (chapters 2 & 3), *strategy formulation* (chapters 4-9) and *implementation* (chapters 10-13).

Analysis. Analysis involves the development of an understanding of the external environment (Chapter 2) and internal organization (Chapter 3). These analyses are completed to identify opportunities and threats in the external environment and to decide how to use the resources, capabilities, and core competencies in the firm's internal organization to pursue opportunities and overcome threats.

Formulation. With knowledge about its external environment and internal organization, the firm forms its vision and mission (Chapter 1) and makes decisions as to what strategies to utilize to provide returns to shareholders. These decisions involve the selection of business-level strategies (Chapter 4), which are the firm's actions designed to exploit its competitive advantage over rivals), and its corporate-level strategy (Chapter 6), which is the firm's scope, which ranges from a single product market to unrelated, diversified firms competing in multiple product markets. The ability to utilize a strategy will be impacted by competing firms. This is described as the dynamics of competition (Chapter 5). Formulation involves the selection of mechanisms such as acquisition and restructuring the firm's portfolio of businesses (Chapter 7) and the use of cooperative strategies (Chapter 9) wherein firms form a partnership to share their resources and capabilities in order to develop a competitive advantage. The firm must also make decisions on the span, business level strategies, and mechanisms for international expansion (Chapter 8).

Implementation. Implementation is putting the formulated plan into action.

Implementation is facilitated by different mechanisms used to govern firms (Chapter 10), the use of appropriate organizational structure and mechanisms to control the firm's operations (Chapter 11), the patterns of strategic leadership appropriate for the firm's strategy and competitive environments (Chapter 12), and the use of strategic entrepreneurship (Chapter 13) as a path to continuous innovation.

The objective of all of these activities is to manage the firm in a manner that produces above-average rates of return.

POINTS:

1

DIFFICULTY:

Hard

REFERENCES:

26-27

6 (Figure 1.1)

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

141. Define globalization and describe some of its consequences.

ANSWER:

Globalization is the increasing economic interdependence among countries and their goods and services, financial capital, and knowledge across country borders. Globalization increases the range of opportunities for companies. Firms engaging in globally sensitive decisions. Globalization has led to higher performance standards in those of quality, cost, productivity, product introduction time, and operational efficiency. In the global economy, these standards affect firms competing on a domestic-only basis. They effectively in a "multi-polar" world with many important countries having unique interests. How to deal with the reality that in the competitive landscape of the 21st century, only exceeding, global standards typically have the capability to earn above-average returns. A firm's domestic markets in the global economy are labeled a "liability of foreignness."

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 10–11

LEARNING OBJECTIVES: STMA.HITT.13.1-01 - 1.1

NOTES: AACSB: Reflective Thinking | DISC: Environmental Influence | Bloom: Comprehension