

CHAPTER 1

WHAT IS STRATEGY AND WHY IS IT IMPORTANT?

MULTIPLE CHOICE QUESTIONS

1. Which of the following is NOT one of the managerial considerations in determining how to compete successfully?
 - A) How can a company attract, keep, and please customers?
 - B) How can the company modify its entire product line to emphasize their internal service attributes?
 - C) How should the company respond to changing economic and market conditions?
 - D) How should the company be competitive against rivals?
 - E) How should the company position itself in the marketplace?

Answer: B

Learning Objective: 01-01

Topic: What Do We Mean by Strategy?

Blooms: Remember

AACSB: Analytic

Difficulty: 1 Easy

2. A company's strategy concerns:
 - A) the market focus and plans for offering a more appealing product than rivals.
 - B) how it plans to make money in its chosen business.
 - C) management's action plan for outperforming competitors and achieving superior profitability.
 - D) the long-term direction that management believes the company should pursue.
 - E) whether it is employing an aggressive offense to gain market share or a conservative defense to protect its market position.

Answer: C

Learning Objective: 01-01

Topic: What Do We Mean by Strategy?

Blooms: Remember

AACSB: Analytic

Difficulty: 2 Medium

3. A company's strategy consists of the action plan management is taking to
- A) grow the business, stake out a market position, attract and please customers, compete successfully, conduct operations, and achieve performance objectives.
 - B) compete against rivals and establish a sustainable competitive advantage.
 - C) make its product offering more distinctive and appealing to buyers.
 - D) develop a more appealing business model than rivals.
 - E) identify its strategic vision, its strategic objectives, and its strategic intent.

Answer: A

Learning Objective: 01-01

Topic: What Do We Mean by Strategy?

Blooms: Remember

AACSB: Analytic

Difficulty: 2 Medium

4. The competitive moves and business approaches a company's management is using to grow the business, stake out a market position, attract and please customers, compete successfully, conduct operations, and achieve organizational objectives is referred to as its:
- A) strategy.
 - B) mission statement.
 - C) strategic intent.
 - D) business model.
 - E) strategic vision.

Answer: A

Learning Objective: 01-01

Topic: What Do We Mean by Strategy?

Blooms: Remember

AACSB: Analytic

Difficulty: 1 Easy

5. The objectives of a well-crafted strategy require management to strive to:
- A) match rival businesses products and quality dimensions in the marketplace.
 - B) build profits for short-term success.
 - C) realign the market to provoke change in rival companies.
 - D) develop lasting success that can support growth and secure the company's future over the long term.
 - E) re-create their business models regularly.

Answer: D

Learning Objective: 01-01

Topic: What Do We Mean by Strategy?

Blooms: Understand

AACSB: Analytic

Difficulty: 2 Medium

6. To improve performance, there are many different avenues for outcompeting rivals such as:
- A) realizing a higher cost structure and lower operating profit margins than rivals in order to drive sales growth.
 - B) achieving products analogous with competitors so as to be competitive in the same markets.
 - C) pursuing similar personalized customer service or quality dimensions as rivals.
 - D) confining their operations to local or regional markets or developing product superiority or even concentrating on a narrow product lineup.
 - E) None of these.

Answer: D

Learning Objective: 01-01

Topic: What Do We Mean by Strategy?

Blooms: Understand

AACSB: Analytic

Difficulty: 1 Easy

7. A company's strategy is most accurately defined as:
- A) management's approaches to building revenues, controlling costs and generating an attractive profit.
 - B) the choices management has made regarding what financial plan to pursue.
 - C) management's concept of "who we are, what we do, and where we are headed."
 - D) the business model that a company's board of directors has approved for outcompeting rivals and making the company profitable.
 - E) management's commitment to provide direction and guidance, in terms of not only what the company should do but also what it should not do.

Answer: E

Learning Objective: 01-01

Topic: What Do We Mean by Strategy?

Blooms: Remember

AACSB: Analytic

Difficulty: 1 Easy

8. Every strategy needs:
- A) a distinctive element that attracts customers and produces a competitive edge.
 - B) to include similar characteristics to rival company strategies.
 - C) to pursue conservative growth built on historical strengths.
 - D) to employ diverse and sundry operating practices for producing greater control over sales growth targets.
 - E) to mimic the plans of the industry's most successful companies.

Answer: A

Learning Objective: 01-01

Topic: What Do We Mean by Strategy?

Blooms: Remember

AACSB: Analytic

Difficulty: 1 Easy

9. Which of the following is NOT something a company's strategy is concerned with?
- A) Management's choices about how to attract and please customers
 - B) Management's choices about how quickly and closely to copy the strategies being used by successful rival companies
 - C) Management's choices about how to grow the business
 - D) Management's choices about how to compete successfully
 - E) Management's action plan for conducting operations and improving the company's financial and market performance

Answer: B

Learning Objective: 01-01

Topic: What Do We Mean by Strategy?

Blooms: Understand

AACSB: Reflective Thinking

Difficulty: 2 Medium

10. Which of the following is NOT a primary focus of a company's strategy?
- A) How to attract and please customers
 - B) How best to respond to changing economic and market conditions
 - C) How to achieve above-average gains in the company's stock price and thereby meet or beat shareholder expectations
 - D) How to compete successfully
 - E) How to grow the business

Answer: C

Learning Objective: 01-01

Topic: What Do We Mean by Strategy?

Blooms: Understand

AACSB: Analytic

Difficulty: 2 Medium

11. A company's strategies stand a better chance of succeeding when:
- A) it is developed through a collaborative process involving all managers and staff from all levels of the organization.
 - B) managers employ conservative strategic moves based on past experience and form an underlying basis of control.
 - C) it is predicated on competitive moves aimed at appealing to buyers in ways that set the company apart from rivals.
 - D) managers copy the strategic moves of successful companies in its industry.
 - E) managers focus on meeting or beating shareholder expectations.

Answer: C

Learning Objective: 01-01

Topic: What Do We Mean by Strategy?

Blooms: Understand

AACSB: Analytic

Difficulty: 2 Medium

12. In crafting a company's strategy:

- A) management's biggest challenge is how closely to mimic the strategies of successful companies in the industry.
- B) managers have comparatively little freedom in choosing the "hows" of strategy.
- C) managers are wise not to decide on concrete courses of action in order to preserve maximum strategic flexibility.
- D) managers need to come up with a sustainable competitive advantage that draws in customers and produces a competitive edge over rivals.
- E) managers are well-advised to be risk-averse and develop a "conservative" strategy—"dare-to-be-different" strategies rarely are successful.

Answer: D

Learning Objective: 01-01

Topic: What Do We Mean by Strategy?

Blooms: Understand

AACSB: Analytic

Difficulty: 2 Medium

13. The heart and soul of a company's strategy-making effort:

- A) is figuring out how to become the industry's low-cost provider.
- B) is figuring out how to maximize the profits and shareholder value.
- C) concerns how to improve the efficiency of its business model.
- D) deals with how management plans to maximize profits while simultaneously operating in a socially responsible manner that keeps the company's prices as low as possible.
- E) involves coming up with moves and actions that produce a durable competitive edge over rivals.

Answer: E

Learning Objective: 01-02

Topic: What Do We Mean by Strategy?

Blooms: Understand

AACSB: Analytic

Difficulty: 1 Easy

14. The pattern of actions and business approaches that would NOT define a company's strategy include:

- A) actions to strengthen market standing and competitiveness by acquiring or merging with other companies.
- B) actions to strengthen competitiveness via strategic coalitions and partnerships.
- C) actions to upgrade competitively important resources and capabilities.
- D) actions to gain sales and market share with lower prices despite increased costs.
- E) actions to strengthen the bargaining position of suppliers and distributors with rivals.

Answer: D

Learning Objective: 01-02

Topic: What Do We Mean by Strategy?

Blooms: Understand

AACSB: Analytic

Difficulty: 1 Easy

15. A company's strategy and its quest for competitive advantage are tightly connected because:
- A) without a competitive advantage a company cannot become the industry leader.
 - B) without a competitive advantage a company cannot have a profitable business model.
 - C) crafting a strategy that yields a competitive advantage over rivals is a company's most reliable means of achieving above-average profitability and financial performance.
 - D) a competitive advantage is what enables a company to achieve its strategic objectives.
 - E) how a company goes about trying to please customers and outcompete rivals is what enables senior managers to choose an appropriate strategic vision for the company.

Answer: C

Learning Objective: 01-02

Topic: What Do We Mean by Strategy?

Blooms: Understand

AACSB: Analytic

Difficulty: 2 Medium

16. A company achieves a competitive advantage when:
- A) it provides buyers with superior value compared to rival sellers or offers the same value at a lower cost.
 - B) it has a profitable business model.
 - C) it is able to maximize shareholder wealth.
 - D) it is consistently able to achieve both its strategic and financial objectives.
 - E) its strategy and its business model are well-matched and in sync.

Answer: A

Learning Objective: 01-02

Topic: What Do We Mean by Strategy?

Blooms: Understand

AACSB: Analytic

Difficulty: 1 Easy

17. A creative distinctive strategy that sets a company apart from rivals and that gives it a sustainable competitive advantage:
- A) is a reliable indicator that the company has a profitable business model.
 - B) is every company's strategic vision.
 - C) is a company's most reliable ticket to above-average profitability and a competitive advantage, despite the best efforts of competitors to match or surpass this advantage.
 - D) signals that the company has a bold, ambitious strategic intent that places the achievement of strategic objectives ahead of the achievement of financial objectives.
 - E) is the best indicator that the company's strategy and business model are well-matched and properly synchronized.

Answer: C

Learning Objective: 01-03

Topic: What Do We Mean by Strategy?

Blooms: Understand

AACSB: Analytic

Difficulty: 1 Easy

18. What separates a powerful strategy from a run-of-the-mill or ineffective one is:
- A) the ability of the strategy to keep the company profitable.
 - B) the proven ability of the strategy to generate maximum profits.
 - C) the speed with which it helps the company achieve its strategic vision.
 - D) management's ability to forge a series of moves, both in the marketplace and internally, that sets the company apart from rivals, and produces sustainable competitive advantage.
 - E) whether it allows the company to maximize shareholder value in the shortest possible time.

Answer: D

Learning Objective: 01-02

Topic: What Do We Mean by Strategy?

Blooms: Understand

AACSB: Analytic

Difficulty: 1 Easy

19. Which of the following is a frequently used strategic approach to setting a company apart from rivals and achieving a sustainable competitive advantage?
- A) Striving to be the industry's low-cost provider, thereby aiming for a product-based competitive advantage
 - B) Outcompeting rivals on the basis of such differentiating features as same quality, narrower product selection, or same value for the money
 - C) Developing a best-cost provider strategy that gives the company competitive capabilities so that rivals can easily imitate with capabilities of their own to even the playing field
 - D) Focusing on a narrow market niche and winning a competitive edge by doing a better job than rivals of serving the special needs and tastes of buyers comprising the niche
 - E) All of these.

Answer: D

Learning Objective: 01-03

Topic: What Do We Mean by Strategy?

Blooms: Remember

AACSB: Analytic

Difficulty: 2 Medium

20. Which of the following is NOT a frequently used strategic approach to setting a company apart from rivals and achieving a sustainable competitive advantage?
- A) Striving to be the industry's low-cost provider, thereby aiming for a cost-based competitive advantage
 - B) Outcompeting rivals on the basis of such differentiating features as higher quality, wider product selection, added performance, better service, more attractive styling, technological superiority, or unusually good value for the money
 - C) Striving to be more profitable than rivals and aiming for a competitive edge based on bigger profit margins
 - D) Focusing on a narrow market niche and winning a competitive edge by doing a better job than rivals of satisfying the needs and tastes of buyers comprising the niche
 - E) Developing an advantage based on offering more value for the money

Answer: C

Learning Objective: 01-03

Topic: What Do We Mean by Strategy?

Blooms: Remember

AACSB: Analytic

Difficulty: 2 Medium

21. One of the frequently used successful and dependable strategic approaches is:
- A) to come up with a distinctive element that builds strong customer loyalty and yields a winning competitive edge.
 - B) to aggressively pursue all of the growth opportunities the company can identify.
 - C) to develop a product/service with more innovative performance features than what rivals are offering and to provide customers with better after-the-sale service.
 - D) to come up with a business model that enables a company to earn bigger profits per unit sold than rivals.
 - E) to charge a lower price than rivals and thereby win sales and market share away from rivals.

Answer: A

Learning Objective: 01-03

Topic: What Do We Mean by Strategy?

Blooms: Understand

AACSB: Analytic

Difficulty: 2 Medium

22. Winning a sustainable competitive edge over competitors generally hinges on which of the following?
- A) Having a distinctive competitive product offering.
 - B) Building competitively valuable expertise and capabilities not readily matched, and offering a distinctive product offering.
 - C) Building experience, know-how, and specialized capabilities that have been perfected over a long period of time.
 - D) Having “hard to beat” capabilities and impressive product innovation.
 - E) All of these.

Answer: E

Learning Objective: 01-03

Topic: What Do We Mean by Strategy?

Blooms: Understand

AACSB: Analytic

Difficulty: 2 Medium

23. A company’s strategy evolves over time as a consequence of:
- A) the need to keep strategy in step with changing circumstances, market conditions, and changing customer needs and expectations.
 - B) the proactive efforts of company managers to fine-tune and improve one or more pieces of the strategy.
 - C) the need to abandon some strategy features that are no longer working well.
 - D) the need to respond to the newly initiated actions and competitive moves of rival firms.
 - E) All of these.

Answer: E

Learning Objective: 01-04

Topic: What Do We Mean by Strategy?

Blooms: Understand

AACSB: Analytic

Difficulty: 1 Easy

24. Which of the following is NOT one of the basic reasons that a company's strategy evolves over time?
- A) The need on the part of company managers to initiate fresh strategic actions that boost employee commitment and create a results-oriented culture.
 - B) The proactive efforts of company managers to fine-tune and improve one or more pieces of the strategy.
 - C) An ongoing need to abandon those strategy features that are no longer working well
 - D) The need to respond to the actions and competitive moves of rival firms.
 - E) The need to keep strategy in step with changing market conditions and changing customer needs and expectations.

Answer: A

Learning Objective: 01-04

Topic: What Do We Mean by Strategy?

Blooms: Understand

AACSB: Analytic

Difficulty: 2 Medium

25. Changing circumstances and ongoing managerial efforts to improve the strategy:
- A) account for why a company's strategy evolves over time.
 - B) explain why a company's strategic vision undergoes almost constant change.
 - C) make it very difficult for a company to have concrete strategic objectives.
 - D) make it very hard to know what a company's strategy really is.
 - E) All of these.

Answer: A

Learning Objective: 01-04

Topic: What Do We Mean by Strategy?

Blooms: Understand

AACSB: Analytic

Difficulty: 2 Medium

26. Adapting to new conditions and constantly evaluating what is working and what needs to be improved are normal parts of the strategy-making process which result in:
- A) a profitability-driven strategy.
 - B) a broad market entry strategy
 - C) an evolving strategy.
 - D) unlimited revenue generation.
 - E) None of these.

Answer: C

Learning Objective: 01-04

Topic: What Do We Mean by Strategy?

Blooms: Understand

AACSB: Analytic

Difficulty: 1 Easy

27. Managers must be prepared to modify their strategy in response to:
- A) changing circumstances that affect performance and their desire to improve the current strategy.
 - B) competitor moves in the market and shifting needs of buyers.
 - C) stagnating market and restrictive industrial opportunities.
 - D) mounting evidence that the strategy is less effective.
 - E) All of these.

Answer: E

Learning Objective: 01-04

Topic: What Do We Mean by Strategy?

Blooms: Understand

AACSB: Analytic

Difficulty: 1 Easy

28. A company's strategy is a "work in progress" and evolves over time because of:
- A) the importance of developing a fresh strategic plan every year (which also has the benefit of keeping employees from becoming bored with executing the same strategy year after year).
 - B) the ongoing need to imitate the new strategic moves of the industry leaders.
 - C) the need to make regular adjustments in the company's strategic vision.
 - D) the ongoing need of company managers to react and respond to changing market and competitive conditions.
 - E) the frequent need to modify key elements of the company's business model.

Answer: D

Learning Objective: 01-04

Topic: What Do We Mean by Strategy?

Blooms: Understand

AACSB: Analytic

Difficulty: 2 Medium

29. It is normal for a company's strategy to end up being:
- A) a blend of offensive actions on the part of managers to improve the company's profitability and defensive moves to counteract changing market conditions.
 - B) a combination of conservative moves to protect the company's market share and somewhat more risky initiatives to set the company's product offering apart from rivals.
 - C) a close imitation of the strategy employed by the recognized industry leader.
 - D) a blend of proactive actions to improve the company's competitiveness and financial performance, and adaptive reactions to unanticipated developments and fresh market conditions.
 - E) more a product of clever entrepreneurship than of efforts to clearly set a company's product/service offering apart from the offerings of rivals.

Answer: D

Learning Objective: 01-04

Topic: What Do We Mean by Strategy?

Blooms: Understand

AACSB: Analytic

Difficulty: 2 Medium

30. Crafting a deliberate strategy involves developing strategy elements that:
- A) imitate as much of the market leader's strategy as possible so as not to end up at a competitive disadvantage.
 - B) comprise a five-year strategic plan and then fine-tuning it during the remainder of the plan period; big changes in strategy are thus made only once every five years.
 - C) consist of a blend of proactive new planned initiatives plus ongoing strategy elements continued from prior periods.
 - D) doing everything possible (in the way of price, quality, service, warranties, advertising, and so on) to make sure the company's product/service is very clearly differentiated from the product/service offerings of rivals.
 - E) All of these accurately characterize the managerial process of crafting a company's strategy.

Answer: C

Learning Objective: 01-04

Topic: What Do We Mean by Strategy?

Blooms: Understand

AACSB: Analytic

Difficulty: 1 Easy

31. Which of the following statements about a company's strategy is true?
- A) A company's strategy is mostly hidden to outside view and is deliberately kept under wraps by top-level managers (so as to catch rival companies by surprise when the strategy is launched).
 - B) A company's strategy is typically planned well in advance and usually deviates little from the planned set of actions and business approaches because of the risks of making on-the-spot changes.
 - C) A company's strategy generally changes very little over time unless a newly appointed CEO decides to take the company in a new direction with a new strategy.
 - D) A company's strategy is typically a blend of proactive and reactive strategy elements.
 - E) A company's strategy is developed mostly on the fly because of the constant efforts of managers to come up with fresh moves to keep the company's product offering clearly different and set apart from the product offerings of rival companies.

Answer: D

Learning Objective: 01-04

Topic: What Do We Mean by Strategy?

Blooms: Understand

AACSB: Analytic

Difficulty: 2 Medium

32. A company's realized strategy evolves from one version to the next due to:
- A) changing management direction because of understanding several appealing strategy alternatives.
 - B) the proactive efforts of company managers to improve the current strategy, a need to respond to changing customer requirements and expectations, and a need to react to fresh strategic maneuvers on the part of rival firms.
 - C) ongoing turnover in the managerial and executive ranks (new managers often decide to shift to a different strategy).
 - D) pressures from shareholders to boost profit margins and pay higher dividends.
 - E) the importance of keeping the company's business model fresh and up-to-date.

Answer: B

Learning Objective: 01-04

Topic: What Do We Mean by Strategy?

Blooms: Understand

AACSB: Analytic

Difficulty: 2 Medium

33. Which one of the following does NOT account for WHY a company's strategy evolves from one version to another?
- A) A need to promote stability and retain the status quo.
 - B) The need to abandon some strategy elements that are no longer working well.
 - C) A need to respond to changing customer requirements and expectations.
 - D) A need to react to fresh strategic maneuvers on the part of rival firms.
 - E) The proactive efforts of company managers to improve this or that aspect of the strategy.

Answer: A

Learning Objective: 01-04

Topic: What Do We Mean by Strategy?

Blooms: Understand

AACSB: Analytic

Difficulty: 2 Medium

34. In the course of crafting a strategy, it is common for management to:
- A) abandon certain strategy elements that have grown stale or become obsolete.
 - B) modify the current strategy when market and competitive conditions take an unexpected turn or some aspects of the company's strategy hit a stone wall.
 - C) modify the current strategy in response to the fresh strategic maneuvers of rival firms.
 - D) take proactive actions to improve this or that piece of the strategy.
 - E) All of these.

Answer: E

Learning Objective: 01-04

Topic: What Do We Mean by Strategy?

Blooms: Understand

AACSB: Analytic

Difficulty: 1 Easy

35. Strategy is about competing differently than rivals, thus strategy success is about:
- A) the sources of sustained advantages and superior profitability.
 - B) those emergent, unplanned, reactive, and adaptive strategies that are more appropriate than deliberate or intended ones that drive the realized strategy.
 - C) matching internal resources and capabilities to the industry environment.
 - D) keeping the firm current with the rapid pace of change in the industry.
 - E) All of these.

Answer: A

Learning Objective: 01-03

Topic: What Do We Mean by Strategy?

Blooms: Apply

AACSB: Reflective Thinking

Difficulty: 3 Hard

36. A company's business model:

- A) concerns the actions and business approaches that will be used to grow the business, conduct operations, please customers, and compete successfully.
- B) is management's blueprint for how it will generate revenues sufficient to cover costs and yield an attractive profit.
- C) concerns what combination of moves in the marketplace it plans to make to outcompete rivals.
- D) deals with how it can simultaneously maximize profits and operate in a socially responsible manner that keeps its prices as low as possible.
- E) concerns how management plans to pursue strategic objectives, given the larger imperative of meeting or beating its financial performance targets.

Answer: B

Learning Objective: 01-05

Topic: A Company's Strategy and Its Business Model

Blooms: Remember

AACSB: Analytic

Difficulty: 2 Medium

37. A company's business model:

- A) zeros in on the customer value proposition and its related profit formula.
- B) is management's storyline for how the strategy will result in achieving the targeted strategic objectives.
- C) details the ethical and socially responsible nature of the company's strategy.
- D) explains how it intends to achieve high profit margins.
- E) sets forth the actions and approaches that it will employ to achieve market leadership.

Answer: A

Learning Objective: 01-04

Topic: A Company's Strategy and Its Business Model

Blooms: Remember

AACSB: Analytic

Difficulty: 2 Medium

38. A company's business model:

- A) sets forth management's game plan for maximizing profits for shareholders.
- B) details exactly how management's strategy will result in the achievement of the company's strategic intent.
- C) explains how it will achieve high profit margins while at the same time charging relatively low prices to customers.
- D) sets forth the key components of the enterprise's business approach, indicates how revenues will be generated, and makes a case for why the strategy can deliver value to customers in a profitable manner.
- E) sets forth management's long-term action plan for achieving market leadership.

Answer: D

Learning Objective: 01-05

Topic: A Company's Strategy and Its Business Model

Blooms: Understand

AACSB: Analytic

Difficulty: 2 Medium

39. Management's blueprint for how and why the company's business approaches will generate revenues sufficient to cover costs and produce attractive profits and returns on investment:
- A) best describes what is meant by a company's strategy.
 - B) best describes what is meant by a company's business model.
 - C) accounts for why a company's financial objectives are at the stated level.
 - D) portrays the essence of a company's business purpose or mission.
 - E) is what is meant by the term strategic intent.

Answer: B

Learning Objective: 01-05

Topic: A Company's Strategy and Its Business Model

Blooms: Remember

AACSB: Analytic

Difficulty: 1 Easy

40. The difference between a company's strategy and a company's business model is that:
- A) a company's strategy is management's game plan for achieving strategic objectives while its business model is management's game plan for achieving financial objectives.
 - B) the strategy concerns how to compete successfully and the business model concerns how to operate efficiently.
 - C) a company's strategy is management's game plan for realizing the strategic vision, whereas a company's business model is the game plan for accomplishing the business purpose or mission.
 - D) strategy relates broadly to a company's competitive moves and business approaches while its business model relates to whether the revenues and costs flowing from the strategy demonstrate that the business is viable from the standpoint of being able to generate revenues sufficient to cover costs and realize a profit.
 - E) a company's strategy is concerned with how to please customers while its business model is concerned with how to please shareholders.

Answer: D

Learning Objective: 01-01, 01-05

Topic: A Company's Strategy and Its Business Model

Blooms: Understand

AACSB: Analytic

Difficulty: 3 Hard

41. The customer value proposition lays out the company's approach to:
- A) meeting profitability guidelines without the risk of losing customers.
 - B) operating efficiently given the current level of customers.
 - C) embracing rival company approaches to gaining customers.
 - D) satisfying buyer wants and needs at a price customers will consider a good value.
 - E) None of the above.

Answer: D

Learning Objective: 01-05

Topic: A Company's Strategy and Its Business Model

Blooms: Understand

AACSB: Analytic

Difficulty: 2 Medium

42. A winning strategy is one that:
- A) builds strategic fit, is socially responsible, and maximizes shareholder wealth.
 - B) is highly profitable and boosts the company's market share.
 - C) fits the company's internal and external situation, builds sustainable competitive advantage, and improves company performance.
 - D) results in a company becoming the dominant industry leader.
 - E) can pass the ethical standards test, the strategic intent test, and the profitability test.

Answer: C

Learning Objective: 01-06

Topic: What Makes a Strategy a Winner?

Blooms: Remember

AACSB: Analytic

Difficulty: 2 Medium

43. A winning strategy must pass which three tests?
- A) The Dominant Market Test, the Sustainable Advantage Test, and the Profit Test
 - B) The Fit Test, the Competitive Advantage Test, and the Performance Test
 - C) The Sustainable Advantage Test, the Fit Test, and the Profit Test
 - D) The Performance Test, the Dominant Market Test, and the Fit Test
 - E) The Fit Test, the Sustainable Advantage Test, and the Dominant Market Test

Answer: B

Learning Objective: 01-06

Topic: What Makes a Strategy a Winner?

Blooms: Remember

AACSB: Analytic

Difficulty: 2 Medium

44. Which one of the following questions can be used to distinguish a winning strategy from a mediocre or losing strategy?
- A) How good is the company's business model?
 - B) Is the company a technology leader?
 - C) Does the company have low prices in comparison to rivals?
 - D) Is the company putting too little emphasis on behaving in an ethical and socially responsible manner?
 - E) How well does the strategy fit the company's situation?

Answer: E

Learning Objective: 01-06

Topic: What Makes a Strategy a Winner?

Blooms: Understand

AACSB: Analytic

Difficulty: 1 Easy

45. Which of the following questions tests the merits of the firm's strategy and distinguishes it as a winning strategy?
- A) Is the company's strategy ethical and socially responsible and does it put enough emphasis on good product quality and good customer service?
 - B) Is the company putting too little emphasis on growth and profitability and too much emphasis on behaving in an ethical and socially responsible manner?
 - C) Is the strategy resulting in the development of additional competitive capabilities?
 - D) Is the strategy helping the company achieve a sustainable competitive advantage and is it resulting in better company performance?
 - E) Does the strategy strike a good balance between maximizing shareholder wealth and maximizing customer satisfaction?

Answer: D

Learning Objective: 01-06

Topic: What Makes a Strategy a Winner?

Blooms: Understand

AACSB: Analytic

Difficulty: 2 Medium

46. Crafting and executing strategy are top-priority managerial tasks because:
- A) it helps management create tight fits between a company's strategic vision and business model.
 - B) it allows all company personnel, and especially senior executives, to know the answer to "who are we, what do we do, and where are we headed?"
 - C) it is management's prescription for doing business, its roadmap to competitive advantage, a game plan for pleasing customers, and its formula for improving performance.
 - D) it provides clear guidance as to what the company's business model and strategic intent are, and helps keep managerial decision-making from being rudderless.
 - E) it establishes how well executives perform these tasks and are the key determinants of executive compensation.

Answer: C

Learning Objective: 01-06

Topic: Why Crafting and Executing Strategy Are Important Tasks

Blooms: Understand

AACSB: Analytic

Difficulty: 1 Easy

47. Crafting and executing strategy are top-priority managerial tasks because:
- A) they are necessary ingredients of a sound business model.
 - B) good strategy coupled with good strategy execution are the most telling signs of good management and greatly raises the chances that a company will be a standout performer in the marketplace.
 - C) the management skills of top executives are sharpened as they work their way through the strategy-making, strategy-executing process.
 - D) doing these tasks helps executives develop an appropriate strategic vision, strategic intent, and a set of strategic objectives.
 - E) of the contribution they make to maximizing value for shareholders.

Answer: B

Learning Objective: 01-06

Topic: Why Crafting and Executing Strategy Are Important Tasks

Blooms: Understand

AACSB: Analytic

Difficulty: 2 Medium

48. Good strategy combined with good strategy execution:
- A) offers a surefire guarantee for avoiding periods of weak financial performance.
 - B) are the two best signs that a company is a true industry leader.
 - C) are more important management functions than forming a strategic vision and setting objectives.
 - D) are the most telling signs of good management.
 - E) signal that a company has a superior business model.

Answer: D

Learning Objective: 01-06

Topic: Why Crafting and Executing Strategy Are Important Tasks

Blooms: Remember

AACSB: Analytic

Difficulty: 1 Easy

49. The most telling signs of a well-managed company are:
- A) the eagerness with which executives set stretch financial and strategic objectives and develop an ambitious strategic vision.
 - B) aggressive pursuit of new opportunities and a willingness to change the company's business model whenever circumstances warrant.
 - C) good strategy-making combined with good strategy execution.
 - D) a visionary mission statement and a willingness to pursue offensive strategies rather than defensive strategies.
 - E) a profitable business model and a balanced scorecard approach to measuring the company's performance.

Answer: C

Learning Objective: 01-06

Topic: Why Crafting and Executing Strategy Are Important Tasks

Blooms: Remember

AACSB: Analytic

Difficulty: 1 Easy

50. Excellent execution of an excellent strategy is:
- A) the best test of managerial excellence and the best recipe for making a company a standout performer.
 - B) a solid indication that managers are maximizing profits and looking out for the best interests of shareholders.
 - C) the best test of whether a company is a "true" industry leader.
 - D) the best evidence that managers have a winning business model.
 - E) the best test of whether a company enjoys sustainable competitive advantage.

Answer: A

Learning Objective: 01-06

Topic: Why Crafting and Executing Strategy Are Important Tasks

Blooms: Understand

AACSB: Analytic

Difficulty: 1 Easy

51. What is the foremost question in running a business enterprise?
- A) What must managers do, and do well, to make a company a winner in the marketplace?
 - B) What can employees do, and do well, to ensure customer satisfaction?
 - C) What can shareholders do, and do well, to ensure a profitable company?
 - D) None of these.
 - E) All of these.

Answer: A

Learning Objective: 01-06

Topic: The Road Ahead

Blooms: Understand

AACSB: Analytic

Difficulty: 1 Easy

SHORT ANSWER QUESTIONS

52. What is strategy and why is it important?

Learning Objective: 01-01

Topic: What Do We Mean by Strategy?

Blooms: Understand

AACSB: Analytic

Difficulty: 2 Medium

53. Briefly define each of the following terms.
- a. Sustainable competitive advantage
 - b. Deliberate strategy
 - c. Emergent strategy
 - d. Realized strategy
 - e. Abandoned strategy

Learning Objective: 01-02, 01-04

Topic: What Do We Mean by Strategy?

Blooms: Remember

AACSB: Analytic

Difficulty: 1 Easy

54. What are the three tests of a winning strategy?

Learning Objective: 01-06

Topic: What Makes a Strategy a Winner?

Blooms: Remember

AACSB: Analytic

Difficulty: 1 Easy

55. Identify and briefly describe the four most frequently used strategic approaches to achieving a sustainable competitive advantage. Provide examples.

Learning Objective: 01-03

Topic: What Do We Mean by Strategy?

Blooms: Remember

AACSB: Analytic

Difficulty: 2 Medium

56. What is the connection between a company's strategy and its quest for sustainable competitive advantage?

Learning Objective: 01-03

Topic: What Do We Mean by Strategy?

Blooms: Understand

AACSB: Analytic

Difficulty: 2 Medium

57. Should a company's strategy be tightly connected to its quest for competitive advantage? Why or why not? What difference does it make whether a company has a sustainable competitive advantage or not?

Learning Objective: 01-03

Topic: What Do We Mean by Strategy?

Blooms: Understand

AACSB: Analytic

Difficulty: 2 Medium

58. List six things to look for in identifying the components of an organization's strategy.

Learning Objective: 01-01

Topic: What Do We Mean by Strategy?

Blooms: Remember

AACSB: Analytic

Difficulty: 2 Medium

59. Why does a company's strategy tend to evolve over time?

Learning Objective: 01-04

Topic: What Do We Mean by Strategy?

Blooms: Understand

AACSB: Analytic

Difficulty: 2 Medium

60. Why is a company's strategy partly proactive and partly reactive?

Learning Objective: 01-04

Topic: What Do We Mean by Strategy?

Blooms: Understand

AACSB: Analytic

Difficulty: 2 Medium

61. Is it more accurate to think of strategy as being "proactive" or as being "reactive"? Why?

Learning Objective: 01-04

Topic: What Do We Mean by Strategy?

Blooms: Apply

AACSB: Reflective Thinking

Difficulty: 2 Medium

62. Explain why a company's strategy cannot be completely planned out in advance and why crafting a company's strategy cannot be a one-time, once-and-for-all managerial exercise. Identify at least three factors that account for why company strategies evolve.

Learning Objective: 01-04

Topic: What Do We Mean by Strategy?

Blooms: Understand

AACSB: Analytic

Difficulty: 2 Medium

63. Explain in detail what a company's business model entails?

Learning Objective: 01-05

Topic: A Company's Strategy and Its Business Model

Blooms: Understand

AACSB: Analytic

Difficulty: 3 Hard

64. What are the three criteria for determining whether a company has a winning strategy?

Learning Objective: 01-06

Topic: What Makes a Strategy a Winner?

Blooms: Remember

AACSB: Analytic

Difficulty: 2 Medium

65. How can one tell a winning strategy from a strategy that is mediocre or a loser?

Learning Objective: 01-06

Topic: What Makes a Strategy a Winner?

Blooms: Remember

AACSB: Analytic

Difficulty: 2 Medium

66. Why is sustainable competitive advantage so important to a winning business strategy?

Learning Objective: 01-06

Topic: What Makes a Strategy a Winner?

Blooms: Understand

AACSB: Analytic

Difficulty: 2 Medium

67. Why is it appropriate to argue that good strategy-making combined with good strategy execution are valid signs of good management?

Learning Objective: 01-06

Topic: Why Crafting and Executing Strategy Are Important Tasks

Blooms: Understand

AACSB: Analytic

Difficulty: 2 Medium

68. Powerful execution of a powerful strategy is a proven recipe for winning in the marketplace. True or false? Explain your answer.

Learning Objective: 01-06

Topic: What Makes a Strategy a Winner?

Blooms: Understand

AACSB: Analytic

Difficulty: 2 Medium

69. Good strategy + good strategy execution = good management. True or false? Justify and explain your answer.

Learning Objective: 01-06

Topic: What Makes a Strategy a Winner?

Blooms: Understand

AACSB: Analytic

Difficulty: 2 Medium

70. A company's strategy represents a managerial commitment to an integrated array of considered choices about how to compete. This includes the choice about how to capitalize on attractive opportunities to grow the business. Why is opportunity recognition a vital component of the company's strategy?

Learning Objective: 01-01

Topic: What Do We Mean by Strategy?

Blooms: Reflective Thinking

AACSB: Analytic

Difficulty: 3 Hard

AACSB: Analytic