Strategic Management Text and Cases 9th edition Dess Test Bank

SKU: 9781259813955-TEST-BANK

Strategic Management: Text and Cases, 9e **(Dess)**
Chapter 2 Analyzing the External Environment of the Firm: Creating Competitive Advantages

1) Environmental scanning and competitor intelligence provide important inputs for forecasting activities.

2) Perceptual acuity, according to Ram Charan, is the ability to know for certain what will happen in the future.

3) Ted Turner saw the potential of 24-hour news before anyone else. This is an example of perceptual acuity.

4) Environmental monitoring deals with tracking changes in environmental trends that are often uncovered during the environmental scanning process.

5) Competitive Intelligence (CI) is a tool that can provide management with early warnings about both threats and opportunities.

6) Competitive intelligence generally does *not* benefit very much from gathering information on competitors from sources in the public domain.

7) Even with all the advances in recent years, forecasting is typically considered more of an art than a science and it is of little use in generating accurate predictions.

8) Scenario analysis is a superficial approach to forecasting that seeks to explore possible developments that many only be connected to the past.

9) SWOT analysis is useful in part because it obliges the firm to act proactively by putting an emphasis on identifying opportunities and threats that constrain the action choices a firm might make because of its internal and external environmental scan.

10) In the SWOT framework, the Strengths and Weaknesses are external environmental factors to consider.

11) In the SWOT framework, Opportunities and Threats are environmental conditions internal to the firm.

12) Although changes in the general environment may often adversely or favorably impact a firm, they seldom alter an entire industry.

13) A major sociocultural trend in the United States is the increased number of women in the workforce that has increased the need for business clothing but decreased the demand for baking product staples.

14) Technological innovations can create entirely new industries and alter the boundaries of industries.

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15) The Porter five-forces model is designed to help us understand how social attitudes and cultural values impact U.S. businesses.

16) The five-forces model helps to determine both the nature of competition in an industry and the profit potential for the industry.

17) In some industries, low switching costs can act as an important barrier to entry.

18) In most industries, new entrants will *not* be a threat because the Internet lowers entry barriers.

19) The Internet and digital technologies suppress the bargaining power of buyers by providing them with more information to make buying decisions.

20) Reintermediation is responsible for an overall reduction in business opportunities.

21) Two of the key inputs to developing forecasts discussed in the text are
A) environmental scanning and stakeholder identification.
B) assessing internal strengths and environmental scanning.
C) environmental scanning and competitive intelligence.
D) environmental scanning and a SWOT analysis.

22) Salemi Industries launched Cell Zone unsuccessfully in 2005 because it did not understand the market demand for its new product. This is an example of
A) vision statement evaluation.
B) assessing internal strengths.
C) environmental scanning.
D) mission statement evaluation.

23) Environmental analysis requires continual questioning of all these assumptions *except*
A) a priori ideas about the structure of the relevant industry.
B) continual updating of environmental knowledge.
C) presuppositions about who is and is not a competitor.
D) biases about how to make money in the industry.

24) Firms that were successful in the past can fail today because
A) they keep pace with changes in the nature of competition.
B) the company strategy is outdated.
C) their financial situation is resilient.
D) management monitors the relevant environmental factors regularly.

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25) Which one of the following statements is an example of how to improve perceptual acuity?
A) A CEO meets with other CEOs of non-competing companies to examine the world from multiple perspectives and then shares the results with his own management team.
B) A CEO meets with the company management team regularly to analyze current world events and their potential impact on the company.
C) A CEO meets with direct competitors to analyze current industry trends. The CEOs share their conclusions with their respective companies.
D) Outsiders are brought in to the board meeting to critique the company strategy, which considers the new information in its potential revamping of the strategy.

26) Perceptual acuity requires all the following *except*
A) an ability to sense what is coming.
B) the ability to detect early warning signals of environmental changes.
C) a refusal to consult with others.
D) a strong commitment to external environmental monitoring.

27) Two non-competing global firms meet quarterly to discuss multiple perspectives on world trends. This is an example of how to improve
A) stakeholder management.
B) perceptual acuity.
C) internal scanning.
D) financial returns.

28) Which of the following is *not* an input process to develop forecasts?
A) environmental scanning
B) competitor intelligence
C) stakeholder management
D) environmental monitoring

29) Boards of directors use outsiders to critique their strategy. This is necessary mostly to improve
A) financial returns.
B) organizational hierarchy.
C) perceptual acuity.
D) employee relations.

30) When the management frame of reference gets out of touch with the realities of the actual business situation, what can happen to the firm?
A) Management perceptual acuity improves.
B) Management gets across-the-board raises.
C) The company business strategy no longer works.
D) It becomes easier to maintain competitive advantage.

31) Corporate retreats do *not*
A) permit companies to discuss larger marketplace trends.
B) guarantee positive consumer response to new products.
C) give companies an opportunity to look beyond their own industries.
D) oblige management to automatically change strategy.

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32) Why must successful managers recognize opportunities and threats in their company external environment?
A) If they miscalculate the market, opportunities will be lost.
B) If they misread the market, they are likely to become rich.
C) If they identify all of the environmental threats, they are guaranteed to acquire large market share.
D) If they identify all of the environmental opportunities, they are guaranteed to acquire large market share.

33) The tenure of Ms. Marchionni as CEO of Lands' End was largely a result of her efforts to re-invent the apparel brand,
A) resulting in an alignment with the company culture.
B) resulting in an alignment with the customer base interests.
C) resulting in conflicts with the customer base and the corporate culture.
D) resulting in an alignment with the wholesome style brand of the company.

34) _____ tracks the evolution of environmental trends, sequences of events, or streams of activities.
A) Environmental scanning
B) Environmental monitoring
C) Environmental surveying
D) Competitive intelligence

35) Companies that are able to spot key trends in the environment know their business and most importantly know their
A) suppliers.
B) employees.
C) customers.
D) competitors.

36) Scanning the general environment would identify information on
A) substitute goods.
B) customer and firm bargaining power.
C) the aging population and ethnic shifts.
D) competitive rivalry.

37) Which of the following is *not* an example of corporate competitive intelligence?
A) banks tracking home loans
B) airlines changing hundreds of fares daily in response to competitor tactics
C) consumers comparing product offers online
D) car manufacturers offering sales incentives based on rival offers

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38) Gathering competitive intelligence
A) is illegal.
B) is good business practice.
C) is considered unethical.
D) minimizes the need to obtain information in the public domain.

39) Environmental forecasting does *not* involve plausible projections about the _____ of environmental change.
A) direction
B) scope
C) speed
D) lack of intensity

40) When investors examine the performance of beauty products like Olay moisturizers and CoverGirl cosmetics, they are looking for
A) indicators of emerging trends.
B) accidental changes in behavior.
C) supplier preferences.
D) company management trends.

41) Which of the following websites is *not* an example of one used routinely for corporate competitive intelligence gathering?
A) Slideshare
B) Quora
C) Duolingo
D) YouTube

42) Executives must be careful to avoid spending so much time and effort tracking the actions of _____ that they ignore _____.
A) competitors; customers
B) customers; competitors
C) traditional competitors; new competitors
D) existing customers; existing competitors

43) Banks and airlines are examples of two industries that track competitor offers continually. This is called the process of gathering
A) consumer responses.
B) competitive intelligence.
C) past decisions.
D) mainline information.

44) Which of the following would *not* lead a manager to believe that an ethical concern exists?
A) Have I done anything that coerced somebody to share this information?
B) Have I done something to circumvent a system intended to secure or protect information?
C) Is the contemplated technique for gathering information relevant?
D) Have I misled anybody in order to gain access?

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45) In 1977, Kenneth H. Olsen, then president of Digital Equipment Corp., announced that there was no reason for individuals to have a computer in their home. Long since disproven, this is an example of
A) poor forecasting of future consumer demand.
B) overestimation of uncertainty.
C) excellent forecasting.
D) good prediction skills.

46) It is important to question the reliability of forecasts because
A) if predictions are too low, a company like Motel 6 might build too many units and thus have a surplus of capacity.
B) uncertainty is black and white, and therefore the gray areas are unimportant.
C) underestimating uncertainty can lead to good competitive strategies.
D) the growth new industries, such as that of telecommunications, cannot be predicted.

47) A danger of forecasting discussed in the text is that
A) in most cases, the expense of collecting the necessary data exceeds the benefit.
B) the retrospective nature of forecasting provides little information about the future.
C) it can create legal problems for the firm if regulators discover the company is making forecasts.
D) managers may view uncertainty as black and white while ignoring important gray areas.

48) PPG Industries, the Pittsburgh-based manufacturer of paints, coatings, optical products, specialty materials, chemicals, glass, and fiber glass suffered serious failures in 1986 and 1987 when it attempted to diversify its offers. It used a technique to help it identify possible future strategies. What was it?
A) crowdsourcing
B) competitive intelligence
C) scenario analysis
D) monitoring

49) SWOT analysis is a framework for analyzing the internal and external environment of a company. It consists of strengths, weaknesses, opportunities, and threats. According to a SWOT analysis, which of the following is *not* an aspect that the strategy of the firm must follow?
A) build on its weaknesses
B) remedy the weaknesses or work around them
C) take advantage of the opportunities presented by the environment
D) protect the firm from the threats

50) Scenario planning is a useful technique for firms competing in industries characterized by _____ and _____.
A) predictability; stability
B) low profit margins; stability
C) unpredictability; change
D) high profit margins; stability

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51) Scenario analysis draws on a range of disciplines and interests. It is a more _____ approach to forecasting.
A) basic
B) fundamental
C) in-depth
D) superficial

52) In the SWOT framework, _____ are the same for all firms in the same competitive environment.
A) strengths and weaknesses
B) strengths and opportunities
C) weaknesses and threats
D) opportunities and threats

53) In the SWOT framework, _____ are internal factors that are specific to the company.
A) strengths and opportunities
B) strengths and threats
C) threats and weaknesses
D) strengths and weaknesses

54) Heightened concern with fitness might be a threat to some companies and an opportunity to others. In the SWOT framework, these are _____ environmental factors.
A) internal
B) external
C) both internal and external
D) not relevant external

55) By emphasizing the importance of identifying opportunities and threats, the SWOT framework makes firms act _____ rather than _____.
A) quickly; slowly
B) immediately; eventually
C) proactively; reactively
D) intelligently; uninformed

56) SWOT analysis raises awareness about the role of strategy in creating a match between the environmental conditions and _____ of the firm.
A) internal opportunities and threats
B) internal strengths and weaknesses
C) internal strengths and opportunities
D) internal weaknesses and opportunities

57) Steve Jobs, former chairman of Apple, demonstrated that _____ also are important in forecasting.
A) character and ability
B) intuition and judgment
C) training and experience
D) imagination and training

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58) Which of the following is *not* a correct usage of the SWOT framework?
A) build on its strengths
B) remedy the weaknesses or work around them
C) take advantage of the opportunities presented by the environment
D) protect the firm from environmental weaknesses

59) The aging of the population, changes in ethnic composition, and effects of the millennial generation are _____ changes.
A) macroeconomic
B) global
C) sociocultural
D) demographic

60) Larger numbers of women entering the work force since the early 1970s is an example of
A) demographic changes.
B) political and legal environmental changes.
C) sociocultural changes.
D) technological developments.

61) Emerging sociocultural changes in the environment include
A) changes in the ethnic composition.
B) the increasing educational attainment of women in the past decade.
C) progressively less disposable income by consumers.
D) changes in the geographic distribution of the population.

62) All of the following are important elements of the political and legal segment of the general environment *except*
A) the deregulation of utilities.
B) the increased use of Internet technology.
C) the Americans with Disabilities Act (ADA).
D) increases in the federally mandated minimum wage.

63) Which of the following would be considered part of the general environment of a firm?
A) decreased entry barriers
B) higher unemployment rates
C) increased bargaining power of the firm's suppliers
D) increased competitive intensity

64) Interest rate increases have a _____ impact on the residential home construction industry and a _____ effect on industries that produce consumer necessities such as prescription drugs or basic grocery items.
A) positive; negligible
B) negative; positive
C) negative; negligible
D) positive; negative

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65) In the general environment, many relationships exist among the various elements. General environmental trends can have positive and negative impacts on various industries. For example, the aging population might have a _____ impact on the health care industry and a _____ impact on the baby product industry. These are called _____ impacts.
A) negative; positive; demographic
B) positive; negative; technological
C) negative; positive; sociocultural
D) positive; negative; demographic

66) In the general environment, which of the following is *not* a demographic trend?
A) aging population
B) greater disparities in income levels
C) changes in ethnic composition
D) more women in the workforce

67) Research published in *Personnel Psychology* shows that older workers are slightly more willing to implement organizational changes than younger workers. This is an example of which segment of the general environment?
A) economic
B) demographic
C) sociocultural
D) political and legal

68) Professor Tamara Erickson says that members of different generations bring different experiences, assumptions, and benefits to the workforce. She believes companies can gain a great deal from creating a culture that welcomes workers of all ages and in which leaders address biases. This is an example of which segments of the general environment?
A) economic
B) demographic
C) sociocultural
D) political and legal

69) The Dodd-Frank Wall Street Reform and Consumer Protection Act require companies to disclose whether any tin, tantalum, tungsten or gold in their supply chain is connected to violent militia groups in the Congo or nine surrounding countries, including Angola, Rwanda, and Sudan. This is an example of which segment of the general environment?
A) economic
B) sociocultural
C) political and legal
D) demographic

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70) There are many challenges to complying with the Dodd-Frank Wall Street Reform and Consumer Protection Act to the tracking of materials from more than two million small scale or subsistence miners in the Eastern Congo. Modern supply-chain logistics are not very relevant in these environments. This is an example of which segment of the general environment?
A) economic
B) demographic
C) sociocultural
D) political and legal

71) Data Analytics are being used by corporations to understand their customer purchasing patterns. This is an example of which segment of the general environment?
A) economic
B) demographic
C) technological
D) political and legal

72) Genetic engineering has had a positive impact on the pharmaceutical industry. This is an example of which type of general environmental trend?
A) economic
B) demographic
C) technological
D) political and legal

73) Which is considered a force in the five-forces model?
A) increased deregulation in an industry
B) the threat of government intervention
C) recent technological innovation
D) rivalry among competing firms

74) Airbnb, a room-sharing site, offers more rooms than Marriott. Goldman Sachs suggests that the supply of new rooms over the next two years will outpace the previous five even though the growth of American occupancy rates has begun to slow. Which competitive force is involved in this situation?
A) the threat of favorable government policies
B) the threat of new buyers
C) the threat of new entrants
D) the threat of proprietary products

75) . Which of the following firms would likely pose the *least* competitive threat?
A) a firm in the same industry and in the same strategic group
B) a competitor to your product where a high switching cost exists
C) a firm that produces substitute goods to your product line
D) a firm in the same industry and in the nearest strategic group looking to join your group

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76) The threat of new entrants is high when there are
A) high capital requirements.
B) low economies of scale.
C) high switching costs.
D) high differentiation among competitor products and services.

77) Product differentiation by incumbents act as an entry barrier because
A) new entrants cannot differentiate their products.
B) incumbents will take legal action if new entrants do not differentiate their products.
C) it helps a firm to derive greater economies of scale.
D) new entrants will have to spend heavily to overcome existing customer loyalties.

78) Which of the following would be an entry barrier?
A) easy access to raw materials
B) low switching costs
C) large economies of scale
D) low capital requirements

79) An automobile manufacturer acquires a rental car company. This is an example of
A) backward integration.
B) forward integration.
C) economies of scale.
D) product differentiation.

80) The bargaining power of the buyer is greater than that of the supplier when
A) volume of purchase is low.
B) the buyer profit margin is low.
C) cost savings from the supplier's product are minimal.
D) threat of backward integration by buyers is low.

81) Buyer power will be greater when
A) the products purchased are highly differentiated.
B) it is concentrated or when a buyer group purchases large volumes relative to seller sales.
C) the industry product is very important to the quality of the buyer end products or services.
D) there are high switching costs.

82) The bargaining power of suppliers increases as
A) threat of forward integration by suppliers increases.
B) importance of buyers to supplier group increases.
C) switching costs for buyers decrease.
D) more suppliers enter the market.

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83) New communication technology can impact seemingly unrelated industries such as the airline industry. This would be an example of a
A) threat of entry.
B) backward integration.
C) threat of substitute products.
D) forward integration.

84) The bargaining power of suppliers is enhanced under which following market condition?
A) no threat of forward integration
B) low differentiation of the supplier products
C) greater availability of substitute products
D) dominance by a few suppliers

85) In the five-forces model, conditions under which a supplier group can be powerful include all of the following *except*
A) lack of importance of the buyer to the supplier group.
B) high differentiation by the supplier.
C) readily available substitute products.
D) dominance by a few suppliers.

86) Because the Internet lowers barriers to entry in most industries, it
A) decreases the threat of new entrants.
B) increases supplier power.
C) makes it easier to build customer loyalty.
D) increases the threat of new entrants.

87) Apple uses its _____ power to pay no more than 2 percent of its sales a square foot in rent.
A) supplier
B) competitor
C) buyer
D) restraining

88) End users are *not*
A) the final consumers in a distribution channel.
B) the first customers in a distribution channel.
C) likely to have greater bargaining power because of the Internet.
D) usually the C in B2C.

89) Incumbent firms may enjoy increased bargaining power because the Internet
A) focuses marketing efforts on end users.
B) has reduced the number of wholesalers and distributors.
C) increases channel conflict.
D) diminishes the power of many distribution channel intermediaries.

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90) Supplier power has increased because of the Internet for all the following reasons *except*
A) the growth of new web-based businesses has created more outlets for suppliers to sell to.
B) software that links buyers to a supplier's website has created rapid, low-cost order capabilities.
C) the process of disintermediation makes it possible for some suppliers to reach end users directly.
D) some suppliers have created web-based purchasing systems that encourage switching.

91) In general, the threat of substitutes is heightened because the Internet
A) lowers switching costs.
B) lowers barriers to entry.
C) introduces new ways to accomplish the same task.
D) increases output per unit of cost.

92) How do infomediaries and consumer information websites increase the intensity of competitive rivalry?
A) by shifting customers away from issues of price
B) by consolidating the marketing message that consumers use to make a purchase decision
C) by making competitors in cyberspace seem less equally balanced
D) by highlighting unique selling advantages of a firm

93) The value net is a game-theoretic approach that
A) extends the value chain analysis.
B) uses network analysis to understand the relationships among different companies.
C) helps us to understand the evolution of the five forces over time.
D) is a way to analyze how the interactions of all the players in a game affect the firm.

94) In the value net analysis, complementors are
A) firms that produce substitute products.
B) firms that produce products that have a positive impact on company product value.
C) customers who compliment the company for their good products and services.
D) firms that supply critical inputs to a company.

95) Complements are products or services that have a potential impact on the _____ of the products or services of that company.
A) cost
B) availability
C) value
D) substitutability

96) Nintendo built a security chip into its game console hardware and then licensed the right to develop games to outside firms. These firms paid a royalty to Nintendo for each copy of the game sold. This is an example of Nintendo using _____ products.
A) substitute
B) complement
C) unrelated
D) differentiated

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97) Elements of the five forces can be quantified. This is important for analyzing industry structure. Which of the following is *not* an example of an element that can be quantified?
A) the percentage of the buyer total cost accounted for by the industry product
B) the percentage of industry sales required to fill a plant or operate a logistical network to efficient scale
C) the buyer switching cost
D) the governmental regulatory policy

98) Strategic groups consist of a group of
A) top executives that makes strategies for a company.
B) executives drawn from different companies within an industry that makes decisions on industry standards.
C) firms within an industry that decides to collude rather than compete with each other so that they can increase their profits.
D) firms within an industry that follows similar strategies.

99) Which of the following statements about strategic groups is *false*?
A) Two assumptions are made: (1) no two firms are totally different, and (2) no two firms are exactly the same.
B) Strategic groupings are of little help to a firm in assessing mobility barriers that protect a group from attacks by other groups.
C) Strategic groups help chart the future directions of firm strategies.
D) Strategic groups are helpful in thinking through the implications of each industry trend for the group as a whole.

100) Strategic groups consist of firms that are more _____ to each other than firms that are not.
A) familiar
B) similar
C) friendly
D) useful

101) Strategic groups are clusters of firms that share _____ strategies.
A) differing
B) the same
C) similar
D) new

102) Classifying an industry into strategic groups involves judgment. If it is useful as an analytical tool, we must exercise caution in deciding what dimensions to use to map these firms. Dimensions include all of the following *except*
A) breadth of product and geographic scope.
B) price and quality.
C) degree of vertical integration.
D) management team.

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103) Referring to the textbook Exhibit 2.7 The World Automobile Industry: Strategic Groups, which strategic group is the largest in terms of breadth of product line?
A) Ferrari, Lamborghini, Porsche
B) Toyota, Ford, General Motors, Chrysler, Honda, Nissan
C) Chery, Geely, Tata Motors
D) Mercedes, BMW, Audi

104) Referring to the textbook Exhibit 2.7 The World Automobile Industry: Strategic Groups, which strategic group is the smallest in terms of breadth of product line?
A) Hyundai, Kia
B) Toyota, Ford, General Motors, Chrysler, Honda, Nissan
C) Chery, Geely, Tata Motors
D) Mercedes, BMW, Audi

105) Referring to the textbook Exhibit 2.7 The World Automobile Industry: Strategic Groups, which strategic group consists of firms high in product pricing/quality and average in their product-line breadth?
A) Ferrari, Lamborghini, Porsche
B) Toyota, Ford, General Motors, Chrysler, Honda, Nissan
C) Chery, Geely, Tata Motors
D) Mercedes, BMW, Audi

106) In 2014, Audi introduced the Q3 SUV at a base price of only $32,500. And BMW, with its 1-series, is another well-known example. Such cars, priced in the low $30,000s, compete more directly with products from broad-line manufacturers like Ford, General Motors, and Toyota. This suggests that members of a strategic group can overcome _____ barriers and migrate to other groups that they find attractive if they are willing to commit time and resources.
A) mobility
B) competitive
C) pricing
D) cost

107) The strategic groups concept is valuable for identifying groups with _____ competitive positions.
A) marginal
B) exceptional
C) healthy
D) poor

108) The strategic groups concept is valuable for charting the _____ directions of firm strategies.
A) historical
B) past
C) present
D) future

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109) The strategic groups concept is valuable for assessing the implications of industry _____ for the strategic group as a whole.
A) trends
B) positions
C) experience
D) wealth

110) Using the five-forces model, explain a potential reason why Alaska Airlines purchased Virgin America in December 2016.

111) Use the Quora website (www.quora.com) to study the African country of Ethiopia. According to the general environment factors listed in the textbook (demographic, sociocultural, political/legal, technological, economic, global), make a case for a company to include the country in its list of desirable customers. Be sure to define your company by industry.

112) What is the difference between the demographic segment and the sociocultural segment in the list of general environment factors that impact the strategy and performance of a firm? Provide specific examples to support your discussion.

113) Using the five-forces model, explain how the threat of new entrants might affect a U.S.-based manufacturer of lead acid batteries used for industrial storage.

114) Fast fashion retailer success depends upon the ability to spot trends. Explain this in terms of environmental scanning, monitoring and collecting of competitive intelligence. Use an example to support your argument. Companies such as H&M and Zara fall into this category but there are many other competitors.

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1) Environmental scanning and competitor intelligence provide important inputs for forecasting activities.

Answer: TRUE
Explanation: Three important processes (scanning, monitoring, and gathering competitive intelligence) are used to develop forecasts.
Difficulty: 2 Medium
Topic: Understanding a Firm's External Environment
Learning Objective: 02-01 The importance of developing forecasts of the business environment.
Bloom's: Understand
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

2) Perceptual acuity, according to Ram Charan, is the ability to know for certain what will happen in the future.

Answer: FALSE
Explanation: Ram Charan defines perceptual acuity as the ability to sense what is coming before the fog clears.
Difficulty: 2 Medium
Topic: Understanding a Firm's External Environment
Learning Objective: 02-01 The importance of developing forecasts of the business environment.
Bloom's: Understand
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

3) Ted Turner saw the potential of 24-hour news before anyone else. This is an example of perceptual acuity.

Answer: TRUE
Explanation: Ram Charan defines perceptual acuity as the ability to sense what is coming before the fog clears. Turner saw the potential of 24-hour news before anyone else did. All the ingredients were there, but no others connected them until he created CNN.
Difficulty: 2 Medium
Topic: Understanding a Firm's External Environment
Learning Objective: 02-01 The importance of developing forecasts of the business environment.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

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4) Environmental monitoring deals with tracking changes in environmental trends that are often uncovered during the environmental scanning process.

Answer: TRUE
Explanation: Environmental monitoring tracks the evolution of environmental trends, sequences of events, or streams of activities.
Difficulty: 1 Easy
Topic: Understanding a Firm's External Environment
Learning Objective: 02-02 Why environmental scanning, environmental monitoring, and collecting competitive intelligence are critical inputs to forecasting.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

5) Competitive Intelligence (CI) is a tool that can provide management with early warnings about both threats and opportunities.

Answer: TRUE
Explanation: Competitive intelligence (CI) helps firms define and understand their industry and identify strengths and weaknesses of rivals. Done properly, competitive intelligence helps a company avoid surprises by anticipating competitor moves and decreasing response time.
Difficulty: 1 Easy
Topic: Understanding a Firm's External Environment
Learning Objective: 02-02 Why environmental scanning, environmental monitoring, and collecting competitive intelligence are critical inputs to forecasting.
Bloom's: Understand
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

6) Competitive intelligence generally does *not* benefit very much from gathering information on competitors from sources in the public domain.

Answer: FALSE
Explanation: Competitive intelligence is frequently done effectively through public sources of information. Examples are evident in daily newspapers and periodicals such as The Wall Street Journal, Bloomberg Businessweek, and Fortune. For example, banks continually track home loan, auto loan, and certificate of deposit (CD) interest rates charged by rivals. Major airlines change hundreds of fares daily in response to competitor tactics.
Difficulty: 2 Medium
Topic: Understanding a Firm's External Environment
Learning Objective: 02-02 Why environmental scanning, environmental monitoring, and collecting competitive intelligence are critical inputs to forecasting.
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7) Even with all the advances in recent years, forecasting is typically considered more of an art than a science and it is of little use in generating accurate predictions.

Answer: FALSE
Explanation: Environmental forecasting involves the development of plausible projections about the direction, scope, speed, and intensity of environmental change. Its purpose is to predict change.
Difficulty: 2 Medium
Topic: Understanding a Firm's External Environment
Learning Objective: 02-02 Why environmental scanning, environmental monitoring, and collecting competitive intelligence are critical inputs to forecasting.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

8) Scenario analysis is a superficial approach to forecasting that seeks to explore possible developments that many only be connected to the past.

Answer: FALSE
Explanation: Scenario analysis is a more in-depth approach to forecasting. It draws on a range of disciplines and interests, among them economics, psychology, sociology, and demographics. It does not rely on extrapolation of historical trends. Rather, it seeks to explore possible developments that may only be connected to the past.
Difficulty: 2 Medium
Topic: Understanding a Firm's External Environment
Learning Objective: 02-03 Why scenario planning is a useful technique for firms competing in industries characterized by unpredictability and change.
Bloom's: Understand
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

9) SWOT analysis is useful in part because it obliges the firm to act proactively by putting an emphasis on identifying opportunities and threats that constrain the action choices a firm might make because of its internal and external environmental scan.

Answer: TRUE
Explanation: Despite its apparent simplicity, the SWOT approach has been very popular. First, it forces managers to consider both internal and external factors simultaneously. Second, its emphasis on identifying opportunities and threats makes firms act proactively rather than reactively. Third, it raises awareness about the role of strategy in creating a match between the environmental conditions and the internal strengths and weaknesses of the firm.
Difficulty: 2 Medium
Topic: SWOT Analysis
Learning Objective: 02-03 Why scenario planning is a useful technique for firms competing in industries characterized by unpredictability and change.
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10) In the SWOT framework, the Strengths and Weaknesses are external environmental factors to consider.

Answer: FALSE
Explanation: The Strengths and Weaknesses refer to the internal conditions of the firm in which a firm excels (strengths) and where it may be lacking relative to competitors (weaknesses).
Difficulty: 2 Medium
Topic: SWOT Analysis
Learning Objective: 02-03 Why scenario planning is a useful technique for firms competing in industries characterized by unpredictability and change.
Bloom's: Understand
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

11) In the SWOT framework, Opportunities and Threats are environmental conditions internal to the firm.

Answer: FALSE
Explanation: Opportunities and Threats are environmental conditions external to the firm. These could be factors in either the general or the competitive environment.
Difficulty: 2 Medium
Topic: SWOT Analysis
Learning Objective: 02-03 Why scenario planning is a useful technique for firms competing in industries characterized by unpredictability and change.
Bloom's: Understand
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

12) Although changes in the general environment may often adversely or favorably impact a firm, they seldom alter an entire industry.

Answer: FALSE
Explanation: The general environment is composed of factors that can have dramatic effects on firm strategy.
Difficulty: 2 Medium
Topic: Understanding a Firm's External Environment
Learning Objective: 02-04 The impact of the general environment on a firm's strategies and performance.
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13) A major sociocultural trend in the United States is the increased number of women in the workforce that has increased the need for business clothing but decreased the demand for baking product staples.

Answer: TRUE
Explanation: The increased number of women in the workforce has increased the need for business-clothing merchandise but decreased the demand for baking product staples (because people would have less time to cook from scratch).
Difficulty: 2 Medium
Topic: Understanding a Firm's External Environment
Learning Objective: 02-04 The impact of the general environment on a firm's strategies and performance.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

14) Technological innovations can create entirely new industries and alter the boundaries of industries.

Answer: TRUE
Explanation: Developments in technology lead to new products and services and improve how they are produced and delivered to the end user. Innovations can create entirely new industries and alter the boundaries of existing industries.
Difficulty: 2 Medium
Topic: Understanding a Firm's External Environment
Learning Objective: 02-04 The impact of the general environment on a firm's strategies and performance.
Bloom's: Understand
AACSB: Analytical Thinking
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15) The Porter five-forces model is designed to help us understand how social attitudes and cultural values impact U.S. businesses.

Answer: FALSE
Explanation: The five-forces model developed by Michael E. Porter has been the most commonly used analytical tool for examining the competitive environment. It describes the competitive environment in terms of five basic competitive forces.
Difficulty: 2 Medium
Topic: Five Forces Model of Industry Attractiveness
Learning Objective: 02-05 How forces in the competitive environment can affect profitability, and how a firm can improve its competitive position by increasing its power vis-à-vis these forces.
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16) The five-forces model helps to determine both the nature of competition in an industry and the profit potential for the industry.

Answer: TRUE
Explanation: The five-forces model developed by Michael E. Porter describes the competitive environment in terms of five basic competitive forces that affect the ability of a firm to compete in a given market. Together, they determine the profit potential for a particular industry.
Difficulty: 2 Medium
Topic: Five Forces Model of Industry Attractiveness
Learning Objective: 02-05 How forces in the competitive environment can affect profitability, and how a firm can improve its competitive position by increasing its power vis-à-vis these forces.
Bloom's: Understand
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

17) In some industries, low switching costs can act as an important barrier to entry.

Answer: FALSE
Explanation: A barrier to entry is created by the existence of one-time costs that the buyer faces when switching from one supplier product or service to another.
Difficulty: 2 Medium
Topic: Five Forces Model of Industry Attractiveness
Learning Objective: 02-05 How forces in the competitive environment can affect profitability, and how a firm can improve its competitive position by increasing its power vis-à-vis these forces.
Bloom's: Understand
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18) In most industries, new entrants will *not* be a threat because the Internet lowers entry barriers.

Answer: FALSE
Explanation: In most industries, the threat of new entrants has increased because digital and Internet-based technologies lower barriers to entry. For example, businesses that reach customers primarily through the Internet may enjoy savings on other traditional expenses such as office rent, sales-force salaries, printing, and postage. This may encourage more entrants who, because of the lower start-up expenses, see an opportunity to capture market share by offering a product or performing a service more efficiently than existing competitors. Thus, a new cyber entrant can use the savings provided by the Internet to charge lower prices and compete on price despite the incumbent's scale advantages.
Difficulty: 2 Medium
Topic: Five Forces Model of Industry Attractiveness
Learning Objective: 02-06 How the Internet and digitally based capabilities are affecting the five competitive forces and industry profitability.
Bloom's: Analyze
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19) The Internet and digital technologies suppress the bargaining power of buyers by providing them with more information to make buying decisions.

Answer: FALSE
Explanation: The Internet and wireless technologies may increase buyer power by providing consumers with more information to make buying decisions and by lowering switching costs.
Difficulty: 2 Medium
Topic: Five Forces Model of Industry Attractiveness
Learning Objective: 02-06 How the Internet and digitally based capabilities are affecting the five competitive forces and industry profitability.
Bloom's: Analyze
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

20) Reintermediation is responsible for an overall reduction in business opportunities.

Answer: FALSE
Explanation: Just as the Internet is eliminating some business functions, it is creating an opening for new functions. These new activities are entering the value chain by a process known as reintermediation.
Difficulty: 2 Medium
Topic: Five Forces Model of Industry Attractiveness
Learning Objective: 02-06 How the Internet and digitally based capabilities are affecting the five competitive forces and industry profitability.
Bloom's: Understand
AACSB: Analytical Thinking
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21) Two of the key inputs to developing forecasts discussed in the text are
A) environmental scanning and stakeholder identification.
B) assessing internal strengths and environmental scanning.
C) environmental scanning and competitive intelligence.
D) environmental scanning and a SWOT analysis.

Answer: C
Explanation: Three important processes (scanning, monitoring, and gathering competitive intelligence) are used to develop forecasts.
Difficulty: 1 Easy
Topic: Understanding a Firm's External Environment
Learning Objective: 02-01 The importance of developing forecasts of the business environment.
Bloom's: Remember
AACSB: Knowledge Application
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22) Salemi Industries launched Cell Zone unsuccessfully in 2005 because it did not understand the market demand for its new product. This is an example of
A) vision statement evaluation.
B) assessing internal strengths.
C) environmental scanning.
D) mission statement evaluation.

Answer: C
Explanation: Analyzing the external environment is a critical step in recognizing and understanding the opportunities and threats that organizations face.
Difficulty: 2 Medium
Topic: Understanding a Firm's External Environment
Learning Objective: 02-01 The importance of developing forecasts of the business environment.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

23) Environmental analysis requires continual questioning of all these assumptions *except*
A) a priori ideas about the structure of the relevant industry.
B) continual updating of environmental knowledge.
C) presuppositions about who is and is not a competitor.
D) biases about how to make money in the industry.

Answer: B
Explanation: According to Hamel and Prahalad, every manager carries around in his or her head a set of biases, assumptions, and presuppositions about the structure of the relevant industry, about how one makes money in the industry, about who the competition is and is not, about who the customers are and are not, and so on. Environmental analysis requires you to continually question such assumptions.
Difficulty: 2 Medium
Topic: Understanding a Firm's External Environment
Learning Objective: 02-01 The importance of developing forecasts of the business environment.
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24) Firms that were successful in the past can fail today because
A) they keep pace with changes in the nature of competition.
B) the company strategy is outdated.
C) their financial situation is resilient.
D) management monitors the relevant environmental factors regularly.

Answer: B
Explanation: The strategy of the firm may be good at one point in time, but it may go astray when the management frame of reference gets out of touch with the realities of the actual business situation. This situation results when management assumptions, premises, or beliefs are incorrect or when internal inconsistencies among them render the overall theory of the business invalid.
Difficulty: 2 Medium
Topic: Understanding a Firm's External Environment
Learning Objective: 02-01 The importance of developing forecasts of the business environment.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

25) Which one of the following statements is an example of how to improve perceptual acuity?
A) A CEO meets with other CEOs of non-competing companies to examine the world from multiple perspectives and then shares the results with his own management team.
B) A CEO meets with the company management team regularly to analyze current world events and their potential impact on the company.
C) A CEO meets with direct competitors to analyze current industry trends. The CEOs share their conclusions with their respective companies.
D) Outsiders are brought in to the board meeting to critique the company strategy, which considers the new information in its potential revamping of the strategy.

Answer: C
Explanation: Although many CEOs may complain that the top job is a lonely one, they cannot do it effectively by sitting alone in their office. Instead, high-performing CEOs are constantly meeting with people and searching out information.
Difficulty: 3 Hard
Topic: Understanding a Firm's External Environment
Learning Objective: 02-01 The importance of developing forecasts of the business environment.
Bloom's: Apply
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26) Perceptual acuity requires all the following *except*
A) an ability to sense what is coming.
B) the ability to detect early warning signals of environmental changes.
C) a refusal to consult with others.
D) a strong commitment to external environmental monitoring.

Answer: C
Explanation: The best CEOs are compulsively tuned to the external environment and seem to have a sixth sense that picks up anomalies and detects early warning signals which may represent key threats or opportunities. Although many CEOs may complain that the top job is a lonely one, they cannot do it effectively by sitting alone in their office. Instead, high-performing CEOs are constantly meeting with people and searching out information.
Difficulty: 2 Medium
Topic: Understanding a Firm's External Environment
Learning Objective: 02-01 The importance of developing forecasts of the business environment.
Bloom's: Apply
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

27) Two non-competing global firms meet quarterly to discuss multiple perspectives on world trends. This is an example of how to improve
A) stakeholder management.
B) perceptual acuity.
C) internal scanning.
D) financial returns.

Answer: B
Explanation: Although many CEOs may complain that the top job is a lonely one, they cannot do it effectively by sitting alone in their office. Instead, high-performing CEOs are constantly meeting with people and searching out information. This helps them improve perceptual acuity.
Difficulty: 2 Medium
Topic: Understanding a Firm's External Environment
Learning Objective: 02-01 The importance of developing forecasts of the business environment.
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28) Which of the following is *not* an input process to develop forecasts?
A) environmental scanning
B) competitor intelligence
C) stakeholder management
D) environmental monitoring

Answer: C
Explanation: Three important processes (scanning, monitoring, and gathering competitive intelligence) are used to develop forecasts.
Difficulty: 1 Easy
Topic: Understanding a Firm's External Environment
Learning Objective: 02-01 The importance of developing forecasts of the business environment.
Bloom's: Remember
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

29) Boards of directors use outsiders to critique their strategy. This is necessary mostly to improve
A) financial returns.
B) organizational hierarchy.
C) perceptual acuity.
D) employee relations.

Answer: C
Explanation: To improve perpetual acuity, two companies ask outsiders to critique strategy during their board strategy sessions. Such input typically leads to spirited discussions that provide valued input on the hinge assumptions and options that are under consideration. Once, the focus was on pinpointing the risk inherent in a certain strategy. Now, discussions have led to finding that the company was missing a valuable opportunity.
Difficulty: 2 Medium
Topic: Understanding a Firm's External Environment
Learning Objective: 02-01 The importance of developing forecasts of the business environment.
Bloom's: Analyze
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30) When the management frame of reference gets out of touch with the realities of the actual business situation, what can happen to the firm?
A) Management perceptual acuity improves.
B) Management gets across-the-board raises.
C) The company business strategy no longer works.
D) It becomes easier to maintain competitive advantage.

Answer: C
Explanation: A company strategy may be good at one point in time, but it may go astray when the management frame of reference gets out of touch with the realities of the actual business situation. This situation results when management assumptions, premises, or beliefs are incorrect or when internal inconsistencies among them render the overall theory of the business invalid.
Difficulty: 3 Hard
Topic: Understanding a Firm's External Environment
Learning Objective: 02-01 The importance of developing forecasts of the business environment.
Bloom's: Apply
AACSB: Analytical Thinking
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31) Corporate retreats do *not*
A) permit companies to discuss larger marketplace trends.
B) guarantee positive consumer response to new products.
C) give companies an opportunity to look beyond their own industries.
D) oblige management to automatically change strategy.

Answer: B
Explanation: According to Ram Charan, an adviser to many Fortune 500 CEOs, improving perceptual acuity is an advantage that one CEO finds from getting together with his critical people for half a day every eight weeks to discuss what is new and what is going on in the world. The setting is informal, and outsiders often attend. The participants look beyond the lens of their industry because some trends that affect one industry may impact others later on.
Difficulty: 2 Medium
Topic: Understanding a Firm's External Environment
Learning Objective: 02-01 The importance of developing forecasts of the business environment.
Bloom's: Apply
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32) Why must successful managers recognize opportunities and threats in their company external environment?
A) If they miscalculate the market, opportunities will be lost.
B) If they misread the market, they are likely to become rich.
C) If they identify all of the environmental threats, they are guaranteed to acquire large market share.
D) If they identify all of the environmental opportunities, they are guaranteed to acquire large market share.

Answer: A
Explanation: Successful managers must recognize opportunities and threats in their company external environment. They must be aware of what is going on outside their company. If they focus exclusively on the efficiency of internal operations, the firm may degenerate into the most efficient producer of buggy whips, typewriters, or carbon paper. But if they miscalculate the market, opportunities will be lost.
Difficulty: 3 Hard
Topic: Understanding a Firm's External Environment
Learning Objective: 02-01 The importance of developing forecasts of the business environment.
Bloom's: Apply
AACSB: Analytical Thinking
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33) The tenure of Ms. Marchionni as CEO of Lands' End was largely a result of her efforts to re-invent the apparel brand,
A) resulting in an alignment with the company culture.
B) resulting in an alignment with the customer base interests.
C) resulting in conflicts with the customer base and the corporate culture.
D) resulting in an alignment with the wholesome style brand of the company.

Answer: C
Explanation: One could attribute much of the failure of the tenure of Ms. Marchionni as CEO at Lands' End to her efforts to re-invent the apparel brand in a way that was in conflict with both its customer base as well as the family culture of the firm and wholesome style-as we discussed in in the opening case in Chapter 1.
Difficulty: 2 Medium
Topic: Understanding a Firm's External Environment
Learning Objective: 02-01 The importance of developing forecasts of the business environment.
Bloom's: Apply
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34) _____ tracks the evolution of environmental trends, sequences of events, or streams of activities.
A) Environmental scanning
B) Environmental monitoring
C) Environmental surveying
D) Competitive intelligence

Answer: B
Explanation: Environmental monitoring tracks the evolution of environmental trends, sequences of events, or streams of activities. Monitoring enables firms to evaluate how dramatically environmental trends are changing the competitive landscape.
Difficulty: 2 Medium
Topic: Understanding a Firm's External Environment
Learning Objective: 02-02 Why environmental scanning, environmental monitoring, and collecting competitive intelligence are critical inputs to forecasting.
Bloom's: Understand
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

35) Companies that are able to spot key trends in the environment know their business and most importantly know their
A) suppliers.
B) employees.
C) customers.
D) competitors.

Answer: C
Explanation: Experts agree that spotting key trends requires a combination of knowing your business and your customer as well as keeping an eye on what's happening around you. Such a big-picture/small-picture view enables you to better identify the emerging trends that will affect your business.
Difficulty: 2 Medium
Topic: Understanding a Firm's External Environment
Learning Objective: 02-02 Why environmental scanning, environmental monitoring, and collecting competitive intelligence are critical inputs to forecasting.
Bloom's: Understand
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36) Scanning the general environment would identify information on
A) substitute goods.
B) customer and firm bargaining power.
C) the aging population and ethnic shifts.
D) competitive rivalry.

Answer: C
Explanation: Environmental scanning involves surveillance of the external environment of a firm to predict environmental changes and detect changes already under way. This alerts the organization to critical trends and events before changes develop a discernible pattern and before competitors recognize them.
Difficulty: 2 Medium
Topic: Understanding a Firm's External Environment
Learning Objective: 02-02 Why environmental scanning, environmental monitoring, and collecting competitive intelligence are critical inputs to forecasting.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

37) Which of the following is *not* an example of corporate competitive intelligence?
A) banks tracking home loans
B) airlines changing hundreds of fares daily in response to competitor tactics
C) consumers comparing product offers online
D) car manufacturers offering sales incentives based on rival offers

Answer: C
Explanation: Corporate competitive intelligence is the activity of collecting and interpreting data on competitors, defining and understanding the industry, and identifying competitor strengths and weaknesses in order to avoid surprises by anticipating competitor moves and decreasing response time.
Difficulty: 2 Medium
Topic: Understanding a Firm's External Environment
Learning Objective: 02-02 Why environmental scanning, environmental monitoring, and collecting competitive intelligence are critical inputs to forecasting.
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38) Gathering competitive intelligence
A) is illegal.
B) is good business practice.
C) is considered unethical.
D) minimizes the need to obtain information in the public domain.

Answer: B
Explanation: Competitive intelligence (CI) helps firms define and understand their industry and identify strengths and weaknesses of rivals. This includes the intelligence gathering associated with collecting data on competitors and interpreting such data.
Difficulty: 2 Medium
Topic: Understanding a Firm's External Environment
Learning Objective: 02-02 Why environmental scanning, environmental monitoring, and collecting competitive intelligence are critical inputs to forecasting.
Bloom's: Understand
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

39) Environmental forecasting does *not* involve plausible projections about the _____ of environmental change.
A) direction
B) scope
C) speed
D) lack of intensity

Answer: D
Explanation: Environmental forecasting involves the development of plausible projections about the direction, scope, speed, and intensity of environmental change. Its purpose is to predict change.
Difficulty: 2 Medium
Topic: Understanding a Firm's External Environment
Learning Objective: 02-02 Why environmental scanning, environmental monitoring, and collecting competitive intelligence are critical inputs to forecasting.
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40) When investors examine the performance of beauty products like Olay moisturizers and CoverGirl cosmetics, they are looking for
A) indicators of emerging trends.
B) accidental changes in behavior.
C) supplier preferences.
D) company management trends.

Answer: A
Explanation: Leading firms in an industry can also be a key indicator of emerging trends. For example, with its wide range of household goods, Procter & Gamble is a barometer for consumer spending. Any sign that it can sell more of its premium products without cutting prices sharply indicates that shoppers may finally be becoming less sensitive to pricing with everyday purchases. In particular, investors will examine the performance of beauty products like Olay moisturizers and CoverGirl cosmetics for evidence that spending on small, discretionary pick-me-ups is improving.
Difficulty: 2 Medium
Topic: Understanding a Firm's External Environment
Learning Objective: 02-02 Why environmental scanning, environmental monitoring, and collecting competitive intelligence are critical inputs to forecasting.
Bloom's: Analyze
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

41) Which of the following websites is *not* an example of one used routinely for corporate competitive intelligence gathering?
A) Slideshare
B) Quora
C) Duolingo
D) YouTube

Answer: C
Explanation: Keeping track of competitors has become easier today with the amount of information that is available on the Internet. The following are examples of some websites that companies routinely use for competitive intelligence gathering: Slideshare, Quora, Ispionage, YouTube. Duolingo is a language-learning website.
Difficulty: 2 Medium
Topic: Understanding a Firm's External Environment
Learning Objective: 02-02 Why environmental scanning, environmental monitoring, and collecting competitive intelligence are critical inputs to forecasting.
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42) Executives must be careful to avoid spending so much time and effort tracking the actions of _____ that they ignore _____.
A) competitors; customers
B) customers; competitors
C) traditional competitors; new competitors
D) existing customers; existing competitors

Answer: C
Explanation: A word of caution: Executives must be careful to avoid spending so much time and effort tracking the actions of traditional competitors that they ignore new competitors. Further, broad environmental changes and events may have a dramatic impact on company viability.
Difficulty: 2 Medium
Topic: Understanding a Firm's External Environment
Learning Objective: 02-02 Why environmental scanning, environmental monitoring, and collecting competitive intelligence are critical inputs to forecasting.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

43) Banks and airlines are examples of two industries that track competitor offers continually. This is called the process of gathering
A) consumer responses.
B) competitive intelligence.
C) past decisions.
D) mainline information.

Answer: B
Explanation: Competitive intelligence is the activity of collecting and interpreting data on competitors, defining and understanding the industry, and identifying competitor strengths and weaknesses. Banks continually track home loan, auto loan, and certificate of deposit (CD) interest rates charged by rivals. Major airlines change hundreds of fares daily in response to competitors' tactics.
Difficulty: 2 Medium
Topic: Understanding a Firm's External Environment
Learning Objective: 02-02 Why environmental scanning, environmental monitoring, and collecting competitive intelligence are critical inputs to forecasting.
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44) Which of the following would *not* lead a manager to believe that an ethical concern exists?
A) Have I done anything that coerced somebody to share this information?
B) Have I done something to circumvent a system intended to secure or protect information?
C) Is the contemplated technique for gathering information relevant?
D) Have I misled anybody in order to gain access?

Answer: C
Explanation: The Code of Ethics Guide on Competitive Intelligence at United Technologies encourages managers and workers to ask themselves these five questions whenever they have ethical concerns. Collecting relevant information is not an ethical concern; however, this is a concern if the contemplated technique for gathering information is invasive.
Difficulty: 2 Medium
Topic: Understanding a Firm's External Environment
Learning Objective: 02-02 Why environmental scanning, environmental monitoring, and collecting competitive intelligence are critical inputs to forecasting.
Bloom's: Understand
AACSB: Analytical Thinking
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45) In 1977, Kenneth H. Olsen, then president of Digital Equipment Corp., announced that there was no reason for individuals to have a computer in their home. Long since disproven, this is an example of
A) poor forecasting of future consumer demand.
B) overestimation of uncertainty.
C) excellent forecasting.
D) good prediction skills.

Answer: A
Explanation: In 1977, one of the colossal underestimations in business history occurred when Kenneth H. Olsen, president of Digital Equipment Corp., announced that there was no reason for individuals to have a computer in their home. The explosion in the personal computer market was not easy to detect in 1977, but it was clearly within the range of possibilities at the time. Environmental forecasting involves the development of plausible projections about the direction, scope, speed, and intensity of environmental change. Its purpose is to predict change.
Difficulty: 2 Medium
Topic: Understanding a Firm's External Environment
Learning Objective: 02-02 Why environmental scanning, environmental monitoring, and collecting competitive intelligence are critical inputs to forecasting.
Bloom's: Apply
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

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Strategic Management Text and Cases 9th edition Dess Test Bank

46) It is important to question the reliability of forecasts because
A) if predictions are too low, a company like Motel 6 might build too many units and thus have a surplus of capacity.
B) uncertainty is black and white, and therefore the gray areas are unimportant.
C) underestimating uncertainty can lead to good competitive strategies.
D) the growth new industries, such as that of telecommunications, cannot be predicted.

Answer: A
Explanation: Some forecasting issues are much more specific to a particular firm and the industry in which it competes. Consider how important it is for Motel 6 to predict future indicators, such as the number of rooms, in the budget segment of the industry. If its predictions are low, it will build too many units, creating a surplus of room capacity that would drive down room rates.
Difficulty: 2 Medium
Topic: Understanding a Firm's External Environment
Learning Objective: 02-02 Why environmental scanning, environmental monitoring, and collecting competitive intelligence are critical inputs to forecasting.
Bloom's: Apply
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

47) A danger of forecasting discussed in the text is that
A) in most cases, the expense of collecting the necessary data exceeds the benefit.
B) the retrospective nature of forecasting provides little information about the future.
C) it can create legal problems for the firm if regulators discover the company is making forecasts.
D) managers may view uncertainty as black and white while ignoring important gray areas.

Answer: D
Explanation: A danger of forecasting is that managers may view uncertainty as black and white and ignore important gray areas. The problem is that underestimating uncertainty can lead to strategies that neither defend against threats nor take advantage of opportunities.
Difficulty: 2 Medium
Topic: Understanding a Firm's External Environment
Learning Objective: 02-03 Why scenario planning is a useful technique for firms competing in industries characterized by unpredictability and change.
Bloom's: Understand
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48) PPG Industries, the Pittsburgh-based manufacturer of paints, coatings, optical products, specialty materials, chemicals, glass, and fiber glass suffered serious failures in 1986 and 1987 when it attempted to diversify its offers. It used a technique to help it identify possible future strategies. What was it?
A) crowdsourcing
B) competitive intelligence
C) scenario analysis
D) monitoring

Answer: C
Explanation: Scenario analysis is a more in-depth approach to forecasting. It draws on a range of disciplines and interests, among them economics, psychology, sociology, and demographics. It usually begins with a discussion of participant thoughts on ways in which societal trends, economics, politics, and technology may affect an issue. Developing strategies based on possible future scenarios seems to be paying off for PPG Industries. The company currently boasts a return on equity of 19.1 percent, and its stock had a total return of over 43 percent over the most recent 52-week period.
Difficulty: 2 Medium
Topic: Top-Down Strategic Planning and Scenario Planning
Learning Objective: 02-03 Why scenario planning is a useful technique for firms competing in industries characterized by unpredictability and change.
Bloom's: Understand
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49) SWOT analysis is a framework for analyzing the internal and external environment of a company. It consists of strengths, weaknesses, opportunities, and threats. According to a SWOT analysis, which of the following is *not* an aspect that the strategy of the firm must follow?
A) build on its weaknesses
B) remedy the weaknesses or work around them
C) take advantage of the opportunities presented by the environment
D) protect the firm from the threats

Answer: A
Explanation: The general idea of SWOT analysis is that company strategy must build on its strengths, remedy its weaknesses or work around them, take advantage of the opportunities presented by the environment, and protect the firm from the threats. Despite its apparent simplicity, the SWOT approach has been very popular. First, it forces managers to consider both internal and external factors simultaneously. Second, its emphasis on identifying opportunities and threats makes firms act proactively rather than reactively. Third, it raises awareness about the role of strategy in creating a match between the environmental conditions and the firm's internal strengths and weaknesses. Finally, its conceptual simplicity is achieved without sacrificing analytical rigor.
Difficulty: 2 Medium
Topic: SWOT Analysis
Learning Objective: 02-03 Why scenario planning is a useful technique for firms competing in industries characterized by unpredictability and change.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

50) Scenario planning is a useful technique for firms competing in industries characterized by _____ and _____.
A) predictability; stability
B) low profit margins; stability
C) unpredictability; change
D) high profit margins; stability

Answer: C
Explanation: Scenario planning is a useful technique for firms competing in industries characterized by unpredictability and change.
Difficulty: 2 Medium
Topic: Understanding a Firm's External Environment
Learning Objective: 02-03 Why scenario planning is a useful technique for firms competing in industries characterized by unpredictability and change.
Bloom's: Understand
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Accessibility: Keyboard Navigation

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51) Scenario analysis draws on a range of disciplines and interests. It is a more _____ approach to forecasting.
A) basic
B) fundamental
C) in-depth
D) superficial

Answer: C
Explanation: Scenario analysis is a more in-depth approach to forecasting. It draws on a range of disciplines and interests, among them economics, psychology, sociology, and demographics.
Difficulty: 2 Medium
Topic: Understanding a Firm's External Environment
Learning Objective: 02-03 Why scenario planning is a useful technique for firms competing in industries characterized by unpredictability and change.
Bloom's: Understand
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

52) In the SWOT framework, _____ are the same for all firms in the same competitive environment.
A) strengths and weaknesses
B) strengths and opportunities
C) weaknesses and threats
D) opportunities and threats

Answer: D
Explanation: Opportunities and threats are environmental conditions external to the firm. These could be factors in either the general or the competitive environment. In the general environment, one might experience developments that are beneficial for most companies, such as improving economic conditions that lower borrowing costs, or trends that benefit some companies and harm others.
Difficulty: 2 Medium
Topic: SWOT Analysis
Learning Objective: 02-03 Why scenario planning is a useful technique for firms competing in industries characterized by unpredictability and change.
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53) In the SWOT framework, _____ are internal factors that are specific to the company.
A) strengths and opportunities
B) strengths and threats
C) threats and weaknesses
D) strengths and weaknesses

Answer: D
Explanation: The strengths and weaknesses refer to the internal conditions of the firm in which a firm excels (strengths) and may be lacking relative to competitors (weaknesses).
Difficulty: 2 Medium
Topic: SWOT Analysis
Learning Objective: 02-03 Why scenario planning is a useful technique for firms competing in industries characterized by unpredictability and change.
Bloom's: Understand
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

54) Heightened concern with fitness might be a threat to some companies and an opportunity to others. In the SWOT framework, these are _____ environmental factors.
A) internal
B) external
C) both internal and external
D) not relevant external

Answer: B
Explanation: In the general environment, one might experience developments that are beneficial for most companies, such as improving economic conditions that lower borrowing costs, or trends that benefit some companies and harm others. An example is the heightened concern with fitness, which is a threat to some companies (e.g., tobacco) and an opportunity to others (e.g., health clubs).
Difficulty: 2 Medium
Topic: SWOT Analysis
Learning Objective: 02-03 Why scenario planning is a useful technique for firms competing in industries characterized by unpredictability and change.
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55) By emphasizing the importance of identifying opportunities and threats, the SWOT framework makes firms act _____ rather than _____.
A) quickly; slowly
B) immediately; eventually
C) proactively; reactively
D) intelligently; uninformed

Answer: C
Explanation: Despite its apparent simplicity, the SWOT approach has been very popular. First, it forces managers to consider both internal and external factors simultaneously. Second, its emphasis on identifying opportunities and threats makes firms act proactively rather than reactively.
Difficulty: 2 Medium
Topic: SWOT Analysis
Learning Objective: 02-03 Why scenario planning is a useful technique for firms competing in industries characterized by unpredictability and change.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

56) SWOT analysis raises awareness about the role of strategy in creating a match between the environmental conditions and _____ of the firm.
A) internal opportunities and threats
B) internal strengths and weaknesses
C) internal strengths and opportunities
D) internal weaknesses and opportunities

Answer: B
Explanation: The SWOT framework raises awareness about the role of strategy in creating a match between the environmental conditions and the internal strengths and weaknesses of the firm.
Difficulty: 2 Medium
Topic: SWOT Analysis
Learning Objective: 02-03 Why scenario planning is a useful technique for firms competing in industries characterized by unpredictability and change.
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57) Steve Jobs, former chairman of Apple, demonstrated that _____ also are important in forecasting.
A) character and ability
B) intuition and judgment
C) training and experience
D) imagination and training

Answer: B
Explanation: While analysis is necessary, it is also equally important to recognize the role played by intuition and judgment. Steve Jobs, the legendary former chairman of Apple, took a very different approach in determining what customers really wanted. Jobs relied on his own intuition, his radar-like feel for emerging technologies and how they could be brought together to create insanely great products that ultimately made the difference. For Jobs, intuition was no mere gut call.
Difficulty: 2 Medium
Topic: SWOT Analysis
Learning Objective: 02-03 Why scenario planning is a useful technique for firms competing in industries characterized by unpredictability and change.
Bloom's: Understand
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

58) Which of the following is *not* a correct usage of the SWOT framework?
A) build on its strengths
B) remedy the weaknesses or work around them
C) take advantage of the opportunities presented by the environment
D) protect the firm from environmental weaknesses

Answer: D
Explanation: The general idea of SWOT analysis is that a firm's strategy must build on its strengths, remedy its weaknesses or work around them, take advantage of the opportunities presented by the environment, and protect the firm from the threats.
Difficulty: 2 Medium
Topic: SWOT Analysis
Learning Objective: 02-03 Why scenario planning is a useful technique for firms competing in industries characterized by unpredictability and change.
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59) The aging of the population, changes in ethnic composition, and effects of the millennial generation are _____ changes.
A) macroeconomic
B) global
C) sociocultural
D) demographic

Answer: D
Explanation: Demographics include elements such as the aging population, rising or declining affluence, changes in ethnic composition, geographic distribution of the population, and disparities in income level.
Difficulty: 2 Medium
Topic: Understanding a Firm's External Environment
Learning Objective: 02-04 The impact of the general environment on a firm's strategies and performance.
Bloom's: Analyze
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

60) Larger numbers of women entering the work force since the early 1970s is an example of
A) demographic changes.
B) political and legal environmental changes.
C) sociocultural changes.
D) technological developments.

Answer: C
Explanation: Sociocultural forces influence the values, beliefs, and lifestyles of a society. Examples include a higher percentage of women in the workforce.
Difficulty: 2 Medium
Topic: Understanding a Firm's External Environment
Learning Objective: 02-04 The impact of the general environment on a firm's strategies and performance.
Bloom's: Understand
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61) Emerging sociocultural changes in the environment include
A) changes in the ethnic composition.
B) the increasing educational attainment of women in the past decade.
C) progressively less disposable income by consumers.
D) changes in the geographic distribution of the population.

Answer: B
Explanation: Sociocultural forces influence the values, beliefs, and lifestyles of a society. Examples include an increased educational attainment by women in the workplace.
Difficulty: 2 Medium
Topic: Understanding a Firm's External Environment
Learning Objective: 02-04 The impact of the general environment on a firm's strategies and performance.
Bloom's: Understand
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62) All of the following are important elements of the political and legal segment of the general environment *except*
A) the deregulation of utilities.
B) the increased use of Internet technology.
C) the Americans with Disabilities Act (ADA).
D) increases in the federally mandated minimum wage.

Answer: B
Explanation: Political processes and legislation influence environmental regulations with which industries must comply. Some elements of the political and legal arena include the Americans with Disabilities Act (ADA) of 1990, deregulation of utilities, and increases in the federally mandated minimum wage.
Difficulty: 2 Medium
Topic: Understanding a Firm's External Environment
Learning Objective: 02-04 The impact of the general environment on a firm's strategies and performance.
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63) Which of the following would be considered part of the general environment of a firm?
A) decreased entry barriers
B) higher unemployment rates
C) increased bargaining power of the firm's suppliers
D) increased competitive intensity

Answer: B
Explanation: The general environment is divided into six segments: demographic, sociocultural, political/legal, technological, economic, and global.
Difficulty: 2 Medium
Topic: Understanding a Firm's External Environment
Learning Objective: 02-04 The impact of the general environment on a firm's strategies and performance.
Bloom's: Understand
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64) Interest rate increases have a _____ impact on the residential home construction industry and a _____ effect on industries that produce consumer necessities such as prescription drugs or basic grocery items.
A) positive; negligible
B) negative; positive
C) negative; negligible
D) positive; negative

Answer: C
Explanation: Interest rate increases have a negative impact on the residential home construction industry but a negligible (or neutral) effect on industries that produce consumer necessities such as prescription drugs or common grocery items.
Difficulty: 2 Medium
Topic: Understanding a Firm's External Environment
Learning Objective: 02-04 The impact of the general environment on a firm's strategies and performance.
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65) In the general environment, many relationships exist among the various elements. General environmental trends can have positive and negative impacts on various industries. For example, the aging population might have a _____ impact on the health care industry and a _____ impact on the baby product industry. These are called _____ impacts.
A) negative; positive; demographic
B) positive; negative; technological
C) negative; positive; sociocultural
D) positive; negative; demographic

Answer: D
Explanation: The general environment is divided into six segments: demographic, sociocultural, political/legal, technological, economic, and global. The aging population is a demographic trend that could positively affect the health care industry and negatively affect the baby product industry.
Difficulty: 3 Hard
Topic: Understanding a Firm's External Environment
Learning Objective: 02-04 The impact of the general environment on a firm's strategies and performance.
Bloom's: Apply
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

66) In the general environment, which of the following is *not* a demographic trend?
A) aging population
B) greater disparities in income levels
C) changes in ethnic composition
D) more women in the workforce

Answer: D
Explanation: The general environment is divided into six segments: demographic, sociocultural, political/legal, technological, economic, and global. The demographic segment of the general environment involves genetic and observable characteristics of a population, including the levels and growth of age, density, sex, race, ethnicity, education, geographic region, and income.
Difficulty: 2 Medium
Topic: Understanding a Firm's External Environment
Learning Objective: 02-04 The impact of the general environment on a firm's strategies and performance.
Bloom's: Understand
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67) Research published in *Personnel Psychology* shows that older workers are slightly more willing to implement organizational changes than younger workers. This is an example of which segment of the general environment?
A) economic
B) demographic
C) sociocultural
D) political and legal

Answer: C
Explanation: Sociocultural forces influence the values, beliefs, and lifestyles of a society. Examples include a higher percentage of women in the workforce, dual-income families, increases in the number of temporary workers, greater concern for healthy diets and physical fitness, greater interest in the environment, and postponement of having children.
Difficulty: 3 Hard
Topic: Understanding a Firm's External Environment
Learning Objective: 02-04 The impact of the general environment on a firm's strategies and performance.
Bloom's: Apply
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

68) Professor Tamara Erickson says that members of different generations bring different experiences, assumptions, and benefits to the workforce. She believes companies can gain a great deal from creating a culture that welcomes workers of all ages and in which leaders address biases. This is an example of which segments of the general environment?
A) economic
B) demographic
C) sociocultural
D) political and legal

Answer: C
Explanation: Sociocultural forces influence the values, beliefs, and lifestyles of a society. Examples include a higher percentage of women in the workforce, dual-income families, increases in the number of temporary workers, greater concern for healthy diets and physical fitness, greater interest in the environment, and postponement of having children.
Difficulty: 2 Medium
Topic: Understanding a Firm's External Environment
Learning Objective: 02-04 The impact of the general environment on a firm's strategies and performance.
Bloom's: Apply
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69) The Dodd-Frank Wall Street Reform and Consumer Protection Act require companies to disclose whether any tin, tantalum, tungsten or gold in their supply chain is connected to violent militia groups in the Congo or nine surrounding countries, including Angola, Rwanda, and Sudan. This is an example of which segment of the general environment?
A) economic
B) sociocultural
C) political and legal
D) demographic

Answer: C
Explanation: The general environment is divided into six segments: demographic, sociocultural, political/legal, technological, economic, and global. The political/legal segment of the general environment is concerned with how a society creates and exercises power, including rules, laws, and taxation policies.
Difficulty: 3 Hard
Topic: Understanding a Firm's External Environment
Learning Objective: 02-04 The impact of the general environment on a firm's strategies and performance.
Bloom's: Analyze
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

70) There are many challenges to complying with the Dodd-Frank Wall Street Reform and Consumer Protection Act to the tracking of materials from more than two million small scale or subsistence miners in the Eastern Congo. Modern supply-chain logistics are not very relevant in these environments. This is an example of which segment of the general environment?
A) economic
B) demographic
C) sociocultural
D) political and legal

Answer: D
Explanation: The general environment is divided into six segments: demographic, sociocultural, political/legal, technological, economic, and global. The political/legal segment of the general environment is concerned with how a society creates and exercises power, including rules, laws, and taxation policies.
Difficulty: 3 Hard
Topic: Understanding a Firm's External Environment
Learning Objective: 02-04 The impact of the general environment on a firm's strategies and performance.
Bloom's: Analyze
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71) Data Analytics are being used by corporations to understand their customer purchasing patterns. This is an example of which segment of the general environment?
A) economic
B) demographic
C) technological
D) political and legal

Answer: C
Explanation: The general environment is divided into six segments: demographic, sociocultural, political/legal, technological, economic, and global. The technological segment of the general environment is concerned with the developments in technology that lead to new products/services. Technological developments and trends include genetic engineering, Internet technology, computer-aided design/computer-aided manufacturing, research in artificial and exotic materials, and on the downside, pollution and global warming.
Difficulty: 3 Hard
Topic: Understanding a Firm's External Environment
Learning Objective: 02-04 The impact of the general environment on a firm's strategies and performance.
Bloom's: Analyze
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

72) Genetic engineering has had a positive impact on the pharmaceutical industry. This is an example of which type of general environmental trend?
A) economic
B) demographic
C) technological
D) political and legal

Answer: C
Explanation: The general environment is divided into six segments: demographic, sociocultural, political/legal, technological, economic, and global. The technological segment of the general environment is concerned with the developments in technology that lead to new products/services. Technological developments and trends include genetic engineering, Internet technology, computer-aided design/computer-aided manufacturing, research in artificial and exotic materials, and on the downside, pollution and global warming.
Difficulty: 2 Medium
Topic: Understanding a Firm's External Environment
Learning Objective: 02-04 The impact of the general environment on a firm's strategies and performance.
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73) Which is considered a force in the five-forces model?
A) increased deregulation in an industry
B) the threat of government intervention
C) recent technological innovation
D) rivalry among competing firms

Answer: D
Explanation: The five-forces model describes the competitive environment in terms of five basic competitive forces: the threat of new entrants, the bargaining power of buyers, the bargaining power of suppliers, the threat of substitute products and services, and the intensity of rivalry among competitors in an industry.
Difficulty: 1 Easy
Topic: Five Forces Model of Industry Attractiveness
Learning Objective: 02-05 How forces in the competitive environment can affect profitability, and how a firm can improve its competitive position by increasing its power vis-à-vis these forces.
Bloom's: Remember
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

74) Airbnb, a room-sharing site, offers more rooms than Marriott. Goldman Sachs suggests that the supply of new rooms over the next two years will outpace the previous five even though the growth of American occupancy rates has begun to slow. Which competitive force is involved in this situation?
A) the threat of favorable government policies
B) the threat of new buyers
C) the threat of new entrants
D) the threat of proprietary products

Answer: C
Explanation: The threat of new entrants refers to the possibility that the profits of established firms in the industry may be eroded by new competitors. The extent of the threat depends on existing barriers to entry and the combined reactions from existing competitors. If entry barriers are high and/or the newcomer can anticipate a sharp retaliation from established competitors, the threat of entry is low. These circumstances discourage new competitors.
Difficulty: 3 Hard
Topic: Five Forces Model of Industry Attractiveness
Learning Objective: 02-05 How forces in the competitive environment can affect profitability, and how a firm can improve its competitive position by increasing its power vis-à-vis these forces.
Bloom's: Apply
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75) Which of the following firms would likely pose the *least* competitive threat?
A) a firm in the same industry and in the same strategic group
B) a competitor to your product where a high switching cost exists
C) a firm that produces substitute goods to your product line
D) a firm in the same industry and in the nearest strategic group looking to join your group

Answer: B
Explanation: The competitive threat of intense rivalry can result from lack of differentiation or switching costs. When switching costs are high, this threat is lowered.
Difficulty: 2 Medium
Topic: Five Forces Model of Industry Attractiveness
Learning Objective: 02-05 How forces in the competitive environment can affect profitability, and how a firm can improve its competitive position by increasing its power vis-à-vis these forces.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

76) The threat of new entrants is high when there are
A) high capital requirements.
B) low economies of scale.
C) high switching costs.
D) high differentiation among competitor products and services.

Answer: B
Explanation: High entry barriers discourage new competitors. Among the major sources of entry barriers are economies of scale, product differentiation, capital requirements, and switching costs.
Difficulty: 2 Medium
Topic: Five Forces Model of Industry Attractiveness
Learning Objective: 02-05 How forces in the competitive environment can affect profitability, and how a firm can improve its competitive position by increasing its power vis-à-vis these forces.
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77) Product differentiation by incumbents act as an entry barrier because
A) new entrants cannot differentiate their products.
B) incumbents will take legal action if new entrants do not differentiate their products.
C) it helps a firm to derive greater economies of scale.
D) new entrants will have to spend heavily to overcome existing customer loyalties.

Answer: D
Explanation: When existing competitors have strong brand identification and customer loyalty, differentiation creates a barrier to entry by forcing entrants to spend heavily to overcome existing customer loyalties.
Difficulty: 2 Medium
Topic: Five Forces Model of Industry Attractiveness
Learning Objective: 02-05 How forces in the competitive environment can affect profitability, and how a firm can improve its competitive position by increasing its power vis-à-vis these forces.
Bloom's: Understand
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78) Which of the following would be an entry barrier?
A) easy access to raw materials
B) low switching costs
C) large economies of scale
D) low capital requirements

Answer: C
Explanation: Among the major sources of entry barriers are economies of scale, product differentiation, capital requirements, switching costs, and access to raw materials and distribution channels.
Difficulty: 1 Easy
Topic: Five Forces Model of Industry Attractiveness
Learning Objective: 02-05 How forces in the competitive environment can affect profitability, and how a firm can improve its competitive position by increasing its power vis-à-vis these forces.
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79) An automobile manufacturer acquires a rental car company. This is an example of
A) backward integration.
B) forward integration.
C) economies of scale.
D) product differentiation.

Answer: B
Explanation: An example of forward integration in the text is an automobile manufacturer acquiring a rental car company. In this case, the automobile manufacturer is a potential competitor who is using forward integration to increase marketplace power.
Difficulty: 2 Medium
Topic: Five Forces Model of Industry Attractiveness
Learning Objective: 02-05 How forces in the competitive environment can affect profitability, and how a firm can improve its competitive position by increasing its power vis-à-vis these forces.
Bloom's: Understand
AACSB: Analytical Thinking
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80) The bargaining power of the buyer is greater than that of the supplier when
A) volume of purchase is low.
B) the buyer profit margin is low.
C) cost savings from the supplier's product are minimal.
D) threat of backward integration by buyers is low.

Answer: B
Explanation: A buyer group is powerful when it is concentrated or purchases large volumes relative to seller sales, it earns low profits, or the buyers pose a credible threat of backward integration.
Difficulty: 1 Easy
Topic: Five Forces Model of Industry Attractiveness
Learning Objective: 02-05 How forces in the competitive environment can affect profitability, and how a firm can improve its competitive position by increasing its power vis-à-vis these forces.
Bloom's: Remember
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81) Buyer power will be greater when
A) the products purchased are highly differentiated.
B) it is concentrated or when a buyer group purchases large volumes relative to seller sales.
C) the industry product is very important to the quality of the buyer end products or services.
D) there are high switching costs.

Answer: B
Explanation: A buyer group is powerful when it is concentrated or purchases large volumes relative to seller sales, the products it purchases from the industry are standard or undifferentiated, the buyer faces few switching costs, or the industry product is unimportant to the quality of the buyer products or services.
Difficulty: 1 Easy
Topic: Five Forces Model of Industry Attractiveness
Learning Objective: 02-05 How forces in the competitive environment can affect profitability, and how a firm can improve its competitive position by increasing its power vis-à-vis these forces.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

82) The bargaining power of suppliers increases as
A) threat of forward integration by suppliers increases.
B) importance of buyers to supplier group increases.
C) switching costs for buyers decrease.
D) more suppliers enter the market.

Answer: A
Explanation: A supplier group will be powerful when the supplier group is dominated by a few companies and is more concentrated (few firms dominate the industry) than the industry it sells to; the industry is not an important customer of the supplier group; the supplier group products are differentiated or it has built up switching costs for the buyer; or the supplier group poses a credible threat of forward integration.
Difficulty: 2 Medium
Topic: Five Forces Model of Industry Attractiveness
Learning Objective: 02-05 How forces in the competitive environment can affect profitability, and how a firm can improve its competitive position by increasing its power vis-à-vis these forces.
Bloom's: Understand
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83) New communication technology can impact seemingly unrelated industries such as the airline industry. This would be an example of a
A) threat of entry.
B) backward integration.
C) threat of substitute products.
D) forward integration.

Answer: C
Explanation: Identifying substitute products involves searching for other products or services that can perform the same function as the industry's offerings. This may lead a manager into businesses seemingly far removed from the industry. For example, the airline industry might not consider video cameras much of a threat. But as digital technology has improved and wireless and other forms of telecommunication have become more efficient, teleconferencing has become a viable substitute for business travel.
Difficulty: 2 Medium
Topic: Five Forces Model of Industry Attractiveness
Learning Objective: 02-05 How forces in the competitive environment can affect profitability, and how a firm can improve its competitive position by increasing its power vis-à-vis these forces.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

84) The bargaining power of suppliers is enhanced under which following market condition?
A) no threat of forward integration
B) low differentiation of the supplier products
C) greater availability of substitute products
D) dominance by a few suppliers

Answer: D
Explanation: A supplier group will be powerful when the supplier group is dominated by a few companies and is more concentrated (few firms dominate the industry) than the industry it sells to; the supplier group is not obliged to contend with substitute products for sale to the industry; the supplier group products are differentiated or it has built up switching costs for the buyer; or the supplier group poses a credible threat of forward integration.
Difficulty: 2 Medium
Topic: Five Forces Model of Industry Attractiveness
Learning Objective: 02-05 How forces in the competitive environment can affect profitability, and how a firm can improve its competitive position by increasing its power vis-à-vis these forces.
Bloom's: Analyze
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85) In the five-forces model, conditions under which a supplier group can be powerful include all of the following *except*
A) lack of importance of the buyer to the supplier group.
B) high differentiation by the supplier.
C) readily available substitute products.
D) dominance by a few suppliers.

Answer: C
Explanation: A supplier group will be powerful when the supplier group is dominated by a few companies and is more concentrated (few firms dominate the industry) than the industry it sells to; the supplier group is not obliged to contend with substitute products for sale to the industry; the supplier group products are differentiated or it has built up switching costs for the buyer; or the industry is not an important customer of the supplier group.
Difficulty: 2 Medium
Topic: Five Forces Model of Industry Attractiveness
Learning Objective: 02-05 How forces in the competitive environment can affect profitability, and how a firm can improve its competitive position by increasing its power vis-à-vis these forces.
Bloom's: Analyze
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

86) Because the Internet lowers barriers to entry in most industries, it
A) decreases the threat of new entrants.
B) increases supplier power.
C) makes it easier to build customer loyalty.
D) increases the threat of new entrants.

Answer: D
Explanation: In most industries, the threat of new entrants has increased because digital and Internet-based technologies lower barriers to entry. Internet businesses may enjoy savings on traditional expenses which may encourage more entrants who see an opportunity to capture market share by offering a product or performing a service more efficiently than existing competitors.
Difficulty: 2 Medium
Topic: Five Forces Model of Industry Attractiveness
Learning Objective: 02-06 How the Internet and digitally based capabilities are affecting the five competitive forces and industry profitability.
Bloom's: Analyze
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87) Apple uses its _____ power to pay no more than 2 percent of its sales a square foot in rent.
A) supplier
B) competitor
C) buyer
D) restraining

Answer: C
Explanation: Apple has used its buyer power to pay no more than 2 percent of its sales a square foot in rent. That compares very favorably with a typical tenant, which pays as much as 15 percent, according to industry executives. In addition to paying a lower percentage of sales for rent, Apple does not pay additional rent if their sales exceed a particular level-a luxury not afforded other retail tenants.
Difficulty: 2 Medium
Topic: Five Forces Model of Industry Attractiveness
Learning Objective: 02-06 How the Internet and digitally based capabilities are affecting the five competitive forces and industry profitability.
Bloom's: Analyze
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

88) End users are *not*
A) the final consumers in a distribution channel.
B) the first customers in a distribution channel.
C) likely to have greater bargaining power because of the Internet.
D) usually the C in B2C.

Answer: B
Explanation: End users are the final customers in a distribution channel. Sales activity that is labeled B2C is concerned with end users. The Internet is likely to increase the power of these buyers, in part because the Internet provides large amounts of consumer information.
Difficulty: 2 Medium
Topic: Five Forces Model of Industry Attractiveness
Learning Objective: 02-06 How the Internet and digitally based capabilities are affecting the five competitive forces and industry profitability.
Bloom's: Understand
AACSB: Knowledge Application
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89) Incumbent firms may enjoy increased bargaining power because the Internet
A) focuses marketing efforts on end users.
B) has reduced the number of wholesalers and distributors.
C) increases channel conflict.
D) diminishes the power of many distribution channel intermediaries.

Answer: D
Explanation: In some industries, buyer channel intermediaries are dominated by powerful players that control who gains access to the latest goods or the best merchandise. The Internet and wireless communications, however, make it much easier and less expensive for businesses to reach customers directly. Thus, the Internet may increase the power of incumbent firms relative to that of traditional buyer channels.
Difficulty: 2 Medium
Topic: Five Forces Model of Industry Attractiveness
Learning Objective: 02-06 How the Internet and digitally based capabilities are affecting the five competitive forces and industry profitability.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

90) Supplier power has increased because of the Internet for all the following reasons *except*
A) the growth of new web-based businesses has created more outlets for suppliers to sell to.
B) software that links buyers to a supplier's website has created rapid, low-cost order capabilities.
C) the process of disintermediation makes it possible for some suppliers to reach end users directly.
D) some suppliers have created web-based purchasing systems that encourage switching.

Answer: D
Explanation: Several factors contribute to stronger supplier power. First, web-based business may create more downstream outlets for suppliers to sell to. Second, web-based purchasing arrangements make purchasing easier and discourage customers from switching. Online procurement systems directly link suppliers and customers, reducing transaction costs and paperwork. Third, the use of proprietary software that links buyers to a supplier website may create a rapid, low-cost ordering capability that discourages the buyer from seeking other sources of supply. Finally, suppliers will have greater power to the extent that they can reach end users directly without intermediaries.
Difficulty: 2 Medium
Topic: Five Forces Model of Industry Attractiveness
Learning Objective: 02-06 How the Internet and digitally based capabilities are affecting the five competitive forces and industry profitability.
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91) In general, the threat of substitutes is heightened because the Internet
A) lowers switching costs.
B) lowers barriers to entry.
C) introduces new ways to accomplish the same task.
D) increases output per unit of cost.

Answer: C
Explanation: Along with traditional marketplaces, the Internet has created a new marketplace and a new channel. In general, therefore, the threat of substitutes is heightened because the Internet introduces new ways to accomplish the same tasks.
Difficulty: 2 Medium
Topic: Five Forces Model of Industry Attractiveness
Learning Objective: 02-06 How the Internet and digitally based capabilities are affecting the five competitive forces and industry profitability.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

92) How do infomediaries and consumer information websites increase the intensity of competitive rivalry?
A) by shifting customers away from issues of price
B) by consolidating the marketing message that consumers use to make a purchase decision
C) by making competitors in cyberspace seem less equally balanced
D) by highlighting unique selling advantages of a firm

Answer: B
Explanation: Some shopping infomediaries, such as CNET, not only search for the lowest prices on many different products but also rank the customer service quality of different sites that sell similarly priced items. They increase rivalry by consolidating the marketing message that consumers use to make a purchase decision into a few key pieces of information over which the selling company has little control.
Difficulty: 2 Medium
Topic: Five Forces Model of Industry Attractiveness
Learning Objective: 02-06 How the Internet and digitally based capabilities are affecting the five competitive forces and industry profitability.
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93) The value net is a game-theoretic approach that
A) extends the value chain analysis.
B) uses network analysis to understand the relationships among different companies.
C) helps us to understand the evolution of the five forces over time.
D) is a way to analyze how the interactions of all the players in a game affect the firm.

Answer: D
Explanation: Based on game-theoretic considerations, Brandenburger and Nalebuff recently introduced the concept of the value net, which in many ways is an extension of the five-forces analysis. The value net represents all the players in the game and analyzes how their interactions affect company ability to generate and appropriate value.
Difficulty: 2 Medium
Topic: Five Forces Model of Industry Attractiveness
Learning Objective: 02-06 How the Internet and digitally based capabilities are affecting the five competitive forces and industry profitability.
Bloom's: Understand
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

94) In the value net analysis, complementors are
A) firms that produce substitute products.
B) firms that produce products that have a positive impact on company product value.
C) customers who compliment the company for their good products and services.
D) firms that supply critical inputs to a company.

Answer: B
Explanation: Complements typically are products or services that have a potential impact on the value of the products or services of that company. Those who produce complements are usually referred to as complementors. Powerful hardware is of no value to a user unless there is software that runs on it.
Difficulty: 2 Medium
Topic: Five Forces Model of Industry Attractiveness
Learning Objective: 02-06 How the Internet and digitally based capabilities are affecting the five competitive forces and industry profitability.
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95) Complements are products or services that have a potential impact on the _____ of the products or services of that company.
A) cost
B) availability
C) value
D) substitutability

Answer: C
Explanation: Complements typically are products or services that have a potential impact on the value of the products or services of that company. Those who produce complements are usually referred to as complementors.
Difficulty: 2 Medium
Topic: Five Forces Model of Industry Attractiveness
Learning Objective: 02-06 How the Internet and digitally based capabilities are affecting the five competitive forces and industry profitability.
Bloom's: Understand
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96) Nintendo built a security chip into its game console hardware and then licensed the right to develop games to outside firms. These firms paid a royalty to Nintendo for each copy of the game sold. This is an example of Nintendo using _____ products.
A) substitute
B) complement
C) unrelated
D) differentiated

Answer: B
Explanation: The success of Nintendo in the early 1990s was a result of its ability to manage its relationship with its complementors. Nintendo built a security chip into the hardware and then licensed the right to develop games to outside firms. These firms paid a royalty to Nintendo for each copy of the game sold. The royalty revenue enabled Nintendo to sell game consoles at close to their cost, thereby increasing their market share, which, in turn, caused more games to be sold and more royalties to be generated.
Difficulty: 2 Medium
Topic: Five Forces Model of Industry Attractiveness
Learning Objective: 02-06 How the Internet and digitally based capabilities are affecting the five competitive forces and industry profitability.
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97) Elements of the five forces can be quantified. This is important for analyzing industry structure. Which of the following is *not* an example of an element that can be quantified?
A) the percentage of the buyer total cost accounted for by the industry product
B) the percentage of industry sales required to fill a plant or operate a logistical network to efficient scale
C) the buyer switching cost
D) the governmental regulatory policy

Answer: D
Explanation: The point of industry analysis is not to declare the industry attractive or unattractive but to understand the underpinnings of competition and the root causes of profitability. As much as possible, analysts should look at industry structure quantitatively, rather than be satisfied with lists of qualitative factors. Many elements of five forces can be quantified: the percentage of the buyer total cost accounted for by the industry product (to understand buyer price sensitivity); the percentage of industry sales required to fill a plant or operate a logistical network to efficient scale (to help assess barriers to entry); and the buyer switching cost (determining the inducement an entrant or rival must offer customers).
Difficulty: 2 Medium
Topic: Five Forces Model of Industry Attractiveness
Learning Objective: 02-06 How the Internet and digitally based capabilities are affecting the five competitive forces and industry profitability.
Bloom's: Understand
AACSB: Analytical Thinking
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98) Strategic groups consist of a group of
A) top executives that makes strategies for a company.
B) executives drawn from different companies within an industry that makes decisions on industry standards.
C) firms within an industry that decides to collude rather than compete with each other so that they can increase their profits.
D) firms within an industry that follows similar strategies.

Answer: D
Explanation: Strategic groups are clusters of firms that share similar strategies. Rivalry tends to be greater among firms that are alike.
Difficulty: 2 Medium
Topic: Strategic Group Models for Understanding Industry Rivals
Learning Objective: 02-07 The concept of strategic groups and their strategy and performance implications.
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99) Which of the following statements about strategic groups is *false*?
A) Two assumptions are made: (1) no two firms are totally different, and (2) no two firms are exactly the same.
B) Strategic groupings are of little help to a firm in assessing mobility barriers that protect a group from attacks by other groups.
C) Strategic groups help chart the future directions of firm strategies.
D) Strategic groups are helpful in thinking through the implications of each industry trend for the group as a whole.

Answer: B
Explanation: In an industry analysis, two assumptions are unassailable: (1) no two firms are totally different, and (2) no two firms are exactly the same. What value is the strategic group concept as an analytical tool? First, strategic groupings help a firm identify barriers to mobility that protect a group from attacks by other groups. They also help chart the future directions of firm strategies and are helpful in thinking through the implications of each industry trend for the strategic group as a whole.
Difficulty: 2 Medium
Topic: Strategic Group Models for Understanding Industry Rivals
Learning Objective: 02-07 The concept of strategic groups and their strategy and performance implications.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

100) Strategic groups consist of firms that are more _____ to each other than firms that are not.
A) familiar
B) similar
C) friendly
D) useful

Answer: B
Explanation: In an industry analysis, two assumptions are unassailable: (1) No two firms are totally different, and (2) no two firms are exactly the same. The issue becomes one of identifying groups of firms that are more similar to each other than firms that are not, otherwise known as strategic groups.
Difficulty: 2 Medium
Topic: Strategic Group Models for Understanding Industry Rivals
Learning Objective: 02-07 The concept of strategic groups and their strategy and performance implications.
Bloom's: Understand
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101) Strategic groups are clusters of firms that share _____ strategies.
A) differing
B) the same
C) similar
D) new

Answer: C
Explanation: Strategic groups are clusters of firms that share similar strategies.
Difficulty: 2 Medium
Topic: Strategic Group Models for Understanding Industry Rivals
Learning Objective: 02-07 The concept of strategic groups and their strategy and performance implications.
Bloom's: Understand
AACSB: Knowledge Application
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102) Classifying an industry into strategic groups involves judgment. If it is useful as an analytical tool, we must exercise caution in deciding what dimensions to use to map these firms. Dimensions include all of the following *except*
A) breadth of product and geographic scope.
B) price and quality.
C) degree of vertical integration.
D) management team.

Answer: D
Explanation: Classifying an industry into strategic groups involves judgment. If it is useful as an analytical tool, we must exercise caution in deciding what dimensions to use to map these firms. Dimensions include breadth of product and geographic scope, price/quality, degree of vertical integration, type of distribution (e.g., dealers, mass merchandisers, private label), and so on.
Difficulty: 2 Medium
Topic: Strategic Group Models for Understanding Industry Rivals
Learning Objective: 02-07 The concept of strategic groups and their strategy and performance implications.
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103) Referring to the textbook Exhibit 2.7 The World Automobile Industry: Strategic Groups, which strategic group is the largest in terms of breadth of product line?
A) Ferrari, Lamborghini, Porsche
B) Toyota, Ford, General Motors, Chrysler, Honda, Nissan
C) Chery, Geely, Tata Motors
D) Mercedes, BMW, Audi

Answer: B
Explanation: The final group (at the far right) consists of firms with a broad range of products and multiple price points. These firms have entries that compete at both the lower end of the market (e.g., the Ford Focus) and the higher end (e.g., Chevrolet Corvette).
Difficulty: 2 Medium
Topic: Strategic Group Models for Understanding Industry Rivals
Learning Objective: 02-07 The concept of strategic groups and their strategy and performance implications.
Bloom's: Understand
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

104) Referring to the textbook Exhibit 2.7 The World Automobile Industry: Strategic Groups, which strategic group is the smallest in terms of breadth of product line?
A) Hyundai, Kia
B) Toyota, Ford, General Motors, Chrysler, Honda, Nissan
C) Chery, Geely, Tata Motors
D) Mercedes, BMW, Audi

Answer: C
Explanation: Three firms, Zhejiang Geely Holding Company, Chery Automobile Company, and Tata Motors have introduced models that bring new meaning to the term subcompact. These have the lowest breadth of product line and are at the lowest price.
Difficulty: 2 Medium
Topic: Strategic Group Models for Understanding Industry Rivals
Learning Objective: 02-07 The concept of strategic groups and their strategy and performance implications.
Bloom's: Understand
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105) Referring to the textbook Exhibit 2.7 The World Automobile Industry: Strategic Groups, which strategic group consists of firms high in product pricing/quality and average in their product-line breadth?
A) Ferrari, Lamborghini, Porsche
B) Toyota, Ford, General Motors, Chrysler, Honda, Nissan
C) Chery, Geely, Tata Motors
D) Mercedes, BMW, Audi

Answer: D
Explanation: The third group (near the middle) consists of firms high in product pricing/quality and average in their product-line breadth. This includes Mercedes, BMW, and Audi.
Difficulty: 2 Medium
Topic: Strategic Group Models for Understanding Industry Rivals
Learning Objective: 02-07 The concept of strategic groups and their strategy and performance implications.
Bloom's: Understand
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

106) In 2014, Audi introduced the Q3 SUV at a base price of only $32,500. And BMW, with its 1-series, is another well-known example. Such cars, priced in the low $30,000s, compete more directly with products from broad-line manufacturers like Ford, General Motors, and Toyota. This suggests that members of a strategic group can overcome _____ barriers and migrate to other groups that they find attractive if they are willing to commit time and resources.
A) mobility
B) competitive
C) pricing
D) cost

Answer: A
Explanation: In 2014, Audi introduced the Q3 SUV at a base price of only 32,500 USD. And BMW, with its 1-series, is another well-known example. Such cars, priced in the low 30,000 USD, compete more directly with products from broad-line manufacturers like Ford, General Motors, and Toyota. This suggests that members of a strategic group can overcome mobility barriers and migrate to other groups that they find attractive if they are willing to commit time and resources.
Difficulty: 2 Medium
Topic: Strategic Group Models for Understanding Industry Rivals
Learning Objective: 02-07 The concept of strategic groups and their strategy and performance implications.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

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107) The strategic groups concept is valuable for identifying groups with _____ competitive positions.
A) marginal
B) exceptional
C) healthy
D) poor

Answer: A
Explanation: The strategic groups concept is valuable for determining mobility barriers across groups, identifying groups with marginal competitive positions, charting the future directions of firm strategies, and assessing the implications of industry trends for the strategic group as a whole.
Difficulty: 2 Medium
Topic: Strategic Group Models for Understanding Industry Rivals
Learning Objective: 02-07 The concept of strategic groups and their strategy and performance implications.
Bloom's: Understand
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

108) The strategic groups concept is valuable for charting the _____ directions of firm strategies.
A) historical
B) past
C) present
D) future

Answer: D
Explanation: The strategic groups concept is valuable for determining mobility barriers across groups, identifying groups with marginal competitive positions, charting the future directions of firm strategies, and assessing the implications of industry trends for the strategic group as a whole.
Difficulty: 2 Medium
Topic: Strategic Group Models for Understanding Industry Rivals
Learning Objective: 02-07 The concept of strategic groups and their strategy and performance implications.
Bloom's: Understand
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109) The strategic groups concept is valuable for assessing the implications of industry _____ for the strategic group as a whole.
A) trends
B) positions
C) experience
D) wealth

Answer: A
Explanation: The strategic groups concept is valuable for determining mobility barriers across groups, identifying groups with marginal competitive positions, charting the future directions of firm strategies, and assessing the implications of industry trends for the strategic group as a whole.
Difficulty: 2 Medium
Topic: Strategic Group Models for Understanding Industry Rivals
Learning Objective: 02-07 The concept of strategic groups and their strategy and performance implications.
Bloom's: Understand
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

110) Using the five-forces model, explain a potential reason why Alaska Airlines purchased Virgin America in December 2016.

Answer: Answers will vary.
Difficulty: 2 Medium
Topic: Five Forces Model of Industry Attractiveness
Learning Objective: 02-05 How forces in the competitive environment can affect profitability, and how a firm can improve its competitive position by increasing its power vis-à-vis these forces.
Bloom's: Evaluate
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

111) Use the Quora website (www.quora.com) to study the African country of Ethiopia. According to the general environment factors listed in the textbook (demographic, sociocultural, political/legal, technological, economic, global), make a case for a company to include the country in its list of desirable customers. Be sure to define your company by industry.

Answer: Answers will vary.
Difficulty: 2 Medium
Topic: Understanding a Firm's External Environment
Learning Objective: 02-04 The impact of the general environment on a firm's strategies and performance.
Bloom's: Apply
AACSB: Analytical Thinking
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112) What is the difference between the demographic segment and the sociocultural segment in the list of general environment factors that impact the strategy and performance of a firm? Provide specific examples to support your discussion.

Answer: Answers will vary.
Difficulty: 2 Medium
Topic: Understanding a Firm's External Environment
Learning Objective: 02-04 The impact of the general environment on a firm's strategies and performance.
Bloom's: Evaluate
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

113) Using the five-forces model, explain how the threat of new entrants might affect a U.S.-based manufacturer of lead acid batteries used for industrial storage.

Answer: Answers will vary.
Difficulty: 3 Hard
Topic: Five Forces Model of Industry Attractiveness
Learning Objective: 02-05 How forces in the competitive environment can affect profitability, and how a firm can improve its competitive position by increasing its power vis-à-vis these forces.
Bloom's: Analyze
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

114) Fast fashion retailer success depends upon the ability to spot trends. Explain this in terms of environmental scanning, monitoring and collecting of competitive intelligence. Use an example to support your argument. Companies such as H&M and Zara fall into this category but there are many other competitors.

Answer: Answers will vary.
Difficulty: 3 Hard
Topic: Understanding a Firm's External Environment
Learning Objective: 02-02 Why environmental scanning, environmental monitoring, and collecting competitive intelligence are critical inputs to forecasting.
Bloom's: Apply; Evaluate
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