Test Bank for Essentials of Strategic Management 7th Gamble

Access Complete Test Bank for Essentials of Strategic Management 7th Gamble

Essentials of Strategic Management 7th Edition by Gamble CH01

ANSWERS ARE LOCATED IN THE SECOND PART OF THIS DOCUMENT

MULTIPLE CHOICE - Choose the one alternative that best completes the statement or answers the question.

1) Managers in all types of businesses must develop a clear answer for which of the following questions?

1) _____

A) Where are we now?
B) Where do we want to go from here?
C) What is the set of actions that we need to take to outperform the company's competitors and achieve superior profitability?
D) When will we know we are there?
E) What moves and approaches do we need to gain advantage in the marketplace?

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Topic : Strategy and the Strategic Management Process
Learning Objective : 01-01 Understand what is meant by a company's strategy.

2) A company's strategy consists of

2) _____

A) actions to develop a more appealing business model than rivals.
B) plans involving alignment of organizational activities and strategic objectives.
C) offensive and defensive moves to generate revenues and increase profit margins.
D) competitive moves and approaches that managers have developed to grow the business, attract and please customers, conduct operations, and achieve targeted objectives.
E) its strategic vision, its strategic objectives, and its strategic intent.

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Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Topic : Strategy and the Strategic Management Process
Difficulty : 2 Medium
Learning Objective : 01-01 Understand what is meant by a company's strategy.

3) The competitive moves and business approaches a company's management is using to grow the business, compete successfully, attract and please customers, conduct operations, respond to changing economic and market conditions, and achieve organizational objectives is referred to as its

3) _____

A) strategy.
B) moves to imitate key rivals.
C) strategic mission.
D) business model.
E) strategic vision.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-02 Explain why a company needs a creative, distinctive strategy that sets it
Topic : Strategy and the Strategic Management Process

4) The essence of strategy is

4) _____

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A) developing lasting success that can support growth and secure the company's future over the long term.

B) re-creating a business model with regularity.

C) matching rival businesses' products and quality dimensions in the marketplace.

D) building profits for short-term success.

E) realigning the market to provoke change in rival companies.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Explain why a company needs a creative, distinctive strategy that sets it
Topic : Strategy and the Strategic Management Process
Bloom's : Understand
Difficulty : 2 Medium

5) A company's strategy has a chance of succeeding only when it is predicated on

5) _____

A) building revenues, controlling costs, and generating an attractive profit.

B) actions, business approaches, and competitive moves aimed at appealing to buyers and setting the company apart from rivals.

C) management's concepts of "where we have been," "where we are headed," and "where we need to go."

D) the approval of a business model by a company's board of directors that spells out how to outcompete with rivals and make the company profitable.

E) educated choices that management has made regarding which financial and operating plans to pursue.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-02 Explain why a company needs a creative, distinctive strategy that sets it
Topic : Strategy and the Strategic Management Process

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6) Under Armour, a multinational sports apparel company, plans entry into a new geographical location, Vietnam, considered an emerging market, with its established and best-selling product line: women's running shorts. How should Under Armour *not* craft a strategy to enhance future profits in Vietnam?

6) _____

A) create a sales plan that aims to enhance initial sales and market penetration with low prices based on high operational costs

B) devise a marketing plan that aims at mass customer segments with attractive advertisements and offers on products

C) implement a diversification plan that aims at adding health and fitness centers to its existing line of products

D) chart an acquisition plan that aims at acquiring local smaller-scale sports apparel manufacturers that seek funding and offer a complementary product lineup

E) establish a distribution plan to set up more supply outlets than any other rivals in the location

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Difficulty : 3 Hard
Bloom's : Apply
Learning Objective : 01-01 Understand what is meant by a company's strategy.
AACSB : Technology
Topic : Strategy Analysis

7) Which of the following is *not* an element of a company's business strategy?

7) _____

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A) actions to respond to changing market conditions or other external factors
B) actions to strengthen competitiveness via strategic alliances and collaborative partnerships
C) actions to strengthen internal capabilities and competitively valuable resources
D) actions to manage the functional areas of the business
E) actions to revise the company's financial and strategic performance targets

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Learning Objective : 01-02 Explain why a company needs a creative, distinctive strategy that sets it
Topic : Strategy and the Strategic Management Process
Bloom's : Understand
Difficulty : 2 Medium

8) Which of the following is an issue *not* likely to be addressed by a company's business strategy?

8) _____

A) actions to respond to changing economic and market conditions
B) actions to supplement the company's resources and capabilities through alliances and joint ventures
C) reactions to offensive moves by rival sellers
D) actions and approaches used in managing the functional areas of the business
E) actions and approaches to mimic rivals' moves in the marketplace.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Learning Objective : 01-02 Explain why a company needs a creative, distinctive strategy that sets it
Topic : Strategy and the Strategic Management Process
Bloom's : Understand

9) The most important aspect(s) of a company's business strategy

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9) _____

A) are the actions and moves in the marketplace that managers take to gain a sustainable competitive advantage.

B) is figuring out how to maximize profits and shareholder value.

C) concerns how to improve the efficiency of its business model.

D) deals with how management plans to maximize profits while, at the same time, operating in a socially responsible manner.

E) is figuring out how to become the industry's low-cost provider.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Learning Objective : 01-02 Explain why a company needs a creative, distinctive strategy that sets it
Topic : Strategy and the Strategic Management Process
Bloom's : Understand

10) A creative, distinctive strategy that delivers a sustainable, competitive advantage is important because

10) _____

A) without a proven strategy, a company is likely to fall into bankruptcy.

B) without a competitive advantage, a company cannot have a profitable business model.

C) a strategy that yields a competitive advantage over rivals is a company's most reliable means of achieving above-average profitability and financial performance.

D) a competitive advantage is what enables a company to achieve its strategic objectives.

E) how a company goes about trying to please customers and outcompete rivals is what enables senior managers to choose an appropriate strategic vision for the company.

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Question Details
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Accessibility : Keyboard Navigation
Learning Objective : 01-02 Explain why a company needs a creative, distinctive strategy that sets it
Topic : Strategy and the Strategic Management Process
Bloom's : Understand
Difficulty : 2 Medium

11) A company's business model

11) _____

A) specifies the goals of above-average profitability and outstanding financial performance.
B) is unrelated to its customer value proposition and profit formula.
C) has nothing to do with whether it can execute its customer value proposition profitably.
D) is management's blueprint for delivering a valuable product or service to customers in a manner that will yield an attractive profit.
E) specifies exactly how it intends to outcompete rivals to achieve its strategic vision.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Learning Objective : 01-03 Explain why it is important for a company to have a viable business model
Topic : The Importance of a Viable Business Model
Difficulty : 2 Medium

12) A company's business model consists of its

12) _____

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A) mission statement and its SWOT analysis.
B) customer value proposition and its vision statement.
C) operating and financial plans.
D) profit formula and strategic vision.
E) profit formula and customer value proposition.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Learning Objective : 01-03 Explain why it is important for a company to have a viable business model
Topic : The Importance of a Viable Business Model
Difficulty : 2 Medium

13) A company achieves sustainable competitive advantage when

13) _____

A) it has a profitable business model.
B) a sufficiently large number of buyers have a lasting preference for its products or services as compared to the offerings of competitors.
C) it is able to maximize shareholder wealth.
D) it is consistently able to achieve both its strategic and financial objectives.
E) its strategy and its business model are well matched and in sync.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Learning Objective : 01-04 Identify the five most dependable strategic approaches for setting a compa
Bloom's : Understand
Topic : Define Competitive Advantage

14) A creative, distinctive strategy that sets a company apart from rivals and that gives it a sustainable competitive advantage

Access Complete Test Bank for Essentials of Strategic Management 7th Gamble

14) _____

A) is a reliable indicator that the company has a profitable business model.
B) is a company's most reliable ticket to above-average profitability.
C) signals that the company has a bold, ambitious strategic intent that places the achievement of strategic objectives ahead of the achievement of financial objectives.
D) is the best indicator that the company's strategy and business model are well matched and properly synchronized.
E) allows a company's managers to ignore competitors' responses to any moves that the company might make.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Learning Objective : 01-04 Identify the five most dependable strategic approaches for setting a compa
Bloom's : Understand
Difficulty : 2 Medium
Topic : Define Competitive Advantage

15) FaberRoad, a respected courier brand, is fast losing its market share to competitors who do overnight deliveries of packages or offer lower prices. The company's research department has found that many customers care more about knowing exactly when a package will arrive than getting it the next day. Which strategy would best address the current state of FaberRoad and help it regain its market?

15) _____

A) employing night delivery drivers at a high cost and maintenance charges
B) developing radio tags that could be attached to packages to allow for real-time tracking by customers' PCs and mobile phones
C) diversifying the different types of packages that can be transported and enabling booking through calls
D) acquiring small transportation companies with cheaper trucks and tempos, rebranding, and using them for deliveries
E) engaging in expensive advertising with new tag lines and famous celebrities to enhance its brand image in the market

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Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Difficulty : 3 Hard
Topic : Define Competitive Advantage
Bloom's : Apply
Learning Objective : 01-01 Understand what is meant by a company's strategy.

16) A salsa manufacturing company that enjoys the *least* bargaining power with its suppliers would most likely be

16) _____

A) involved in mass production of its products to cater to an expanding customer base.
B) actively catering to a broad, price-sensitive customer base.
C) manufacturing high quality salsa and related products from readily available raw materials for a broad customer base.
D) selling salsa and related products deemed to be highly popular and easily available across most supermarkets.
E) offering high-cost specialized salsas that could be consumed only by customers with specific food allergies.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Analyze
Difficulty : 3 Hard
Learning Objective : 01-04 Identify the five most dependable strategic approaches for setting a compa
Topic : Strategic Approaches to Winning a Sustainable Competitive Advantage

17) Which of the following is a *not* a frequently used strategic approach to setting a company apart from rivals and achieving a sustainable competitive advantage?

17) _____

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A) striving to be the industry's low-cost provider, thereby aiming for a cost-based competitive advantage

B) outcompeting rivals on the basis of such differentiating features as higher quality, wider product selection, added performance, better service, more attractive styling, or technological superiority

C) pursuing a best-cost strategy, giving customers more value for the money by satisfying buyers' expectations on key quality/features/performance/service attributes, while beating their price expectations

D) focusing on a narrow market niche and winning a competitive edge by doing a better job than rivals of serving the special needs and tastes of buyers comprising the niche

E) copying rivals on their competitive moves.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Learning Objective : 01-04 Identify the five most dependable strategic approaches for setting a compa
Difficulty : 2 Medium
Topic : Define Competitive Advantage

18) Which of the following is *not* a frequently used strategic approach to setting a company apart from rivals and achieving a sustainable competitive advantage?

18) _____

A) aiming for a cost-based competitive advantage

B) outcompeting rivals on the basis of such differentiating features as higher quality, wider product selection, added performance, better service, or more attractive styling

C) simply trying to mimic the successful strategies of rivals

D) focusing on a narrow market niche and winning a competitive edge by doing a better job than rivals of satisfying the needs and tastes of buyers comprising the niche

E) developing expertise and resources that give the company competitive capabilities that rivals can't easily imitate or trump with capabilities of their own

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Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Learning Objective : 01-04 Identify the five most dependable strategic approaches for setting a compa
Bloom's : Understand
Difficulty : 2 Medium
Topic : Define Competitive Advantage

19) BloomsJay Resorts Inc. has multiple tropical resorts in various locations. In a crowded market that caters to all kinds of consumers, this resort caters mainly to LGBTQ clients with a guaranteed hassle-free holiday experience at a premium price. What strategy is BloomsJay using to gain competitive advantage?

19) _____

A) a low-cost provider strategy
B) a broad differentiation strategy
C) a focused low-cost strategy
D) a focused differentiation strategy
E) a best-cost provider strategy

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Analyze
Difficulty : 3 Hard
Learning Objective : 01-04 Identify the five most dependable strategic approaches for setting a compa
Topic : Strategic Approaches to Winning a Sustainable Competitive Advantage

20) Arnie’s Noshes, a fast-food facility near a college campus, offers healthy, sustainably grown vegetarian and vegan fast food at higher prices than its competitors in the market and has a drive-through and indoor-seated, casual-dining operation. What strategy is Arnie’s Noshes using to gain competitive advantage?

20) _____

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A) a best-cost provider strategy
B) a low-cost provider strategy
C) a focused low-cost provider strategy
D) a broad differentiation strategy
E) a focused differentiation strategy

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Difficulty : 3 Hard
Learning Objective : 01-04 Identify the five most dependable strategic approaches for setting a compa
Topic : Define Competitive Advantage
Bloom's : Apply

21) An evolving strategy for a rideshare business like Uber or Lyft is *not* likely to be triggered by

21) _____

A) their need to keep strategy in step with changing circumstances, market conditions, and changing customer needs and expectations.
B) the proactive efforts of their managers to fine-tune and improve one or more pieces of the strategy.
C) their need to abandon some strategy features that have been faltering or are no longer working well.
D) their need to respond to the newly initiated actions and competitive moves of manufacturers of autonomous vehicles.
E) their need to respond to short-term swings in the stock market that impact timing of an initial public offering (IPO).

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Analyze
Difficulty : 3 Hard
Learning Objective : 01-04 Identify the five most dependable strategic approaches for setting a compa
Topic : The Roles of Firm Effects and Industry Effects on Firm Performance and Competitive Advantage

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22) Different companies across different industries adopt any one of the five generic strategies to gain competitive advantage. Which of the following businesses is *most* likely to use a low-cost provider strategy?

22) _____

A) A fashion clothing line uses sought-after designers and natural fabrics.
B) A mortgage company specializes in lending money for second homes.
C) An online retailer delivers organic groceries overnight.
D) A baby products retailer sells unassembled baby furniture produced in China.
E) A dairy products manufacturer uses exotic substitutes to produce lactose-free dairy products.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Difficulty : 3 Hard
Learning Objective : 01-04 Identify the five most dependable strategic approaches for setting a compa
Topic : Define Competitive Advantage
Bloom's : Apply

23) A company achieves sustainable competitive advantage when

23) _____

A) its distinctive product offering is trumped by rivals' products.
B) it pursues a best-cost provider strategy.
C) competitors erode or imitate its efforts to attain a competitive advantage.
D) an attractively large number of buyers develop a durable preference for rivals' offerings of products or services.
E) it develops capabilities proven difficult for competitors to imitate or best.

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Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Learning Objective : 01-04 Identify the five most dependable strategic approaches for setting a compa
Difficulty : 2 Medium
Topic : Define Competitive Advantage

24) Which of the following is *not* one of the basic reasons that a company's strategy evolves over time?

24) _____

A) an ongoing need to abandon those strategy features that are no longer working well
B) the proactive efforts of company managers to improve the company's financial performance and secure a competitive advantage
C) the need on the part of company managers to make no adjustments to the company's business model
D) the need to respond to the actions and competitive moves of rival firms
E) the need to keep strategy in step with changing industry and competitive conditions

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Learning Objective : 01-05 Understand that a company's strategy tends to evolve over time because of
Topic : The Importance of a Viable Business Model
Difficulty : 2 Medium

25) Changing circumstances and ongoing managerial efforts to improve the strategy

25) _____

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A) account for why a company's strategy evolves over time.
B) explain why a company's strategic vision undergoes almost constant change.
C) make it very difficult for a company to have concrete strategic objectives.
D) make it very hard to know what a company's strategy really is.
E) are only necessary when rivals are gaining market share.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Topic : Strategy and the Strategic Management Process
Bloom's : Understand
Learning Objective : 01-05 Understand that a company's strategy tends to evolve over time because of
Difficulty : 2 Medium

26) It is normal for a company's strategy to end up being

26) _____

A) left unchanged from management's original planned set of actions and business approaches since making on-the-spot changes is too risky.
B) a combination of defensive moves to protect the company's market share and offensive initiatives to set the company's product offering apart from rivals.
C) like the strategies of other industry members since all companies are confronting much the same market conditions and competitive pressures.
D) a blend of deliberate planned actions to improve the company's competitiveness and financial performance and as-needed unplanned reactions to unanticipated developments and fresh market conditions.
E) a mirror image of its business model, so as to avoid impairing company profitability.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Topic : Strategy and the Strategic Management Process
Bloom's : Understand
Learning Objective : 01-05 Understand that a company's strategy tends to evolve over time because of
Difficulty : 2 Medium

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27) Crafting a strategy involves

27) _____

A) blending deliberate, planned initiatives with emergent, unplanned reactive responses to changing circumstances, while abandoning planned strategy elements that have failed in the marketplace.

B) developing a five-year strategic plan and then fine-tuning it during the remainder of the plan period.

C) trying to imitate as much of the market leader's strategy as possible so as not to end up at a competitive disadvantage.

D) doing everything possible (in the way of price, quality, service, warranties, advertising, and so on) to make sure the company's product and/or service is very clearly differentiated from the product and or service offerings of rivals.

E) All of these accurately characterize the managerial process of crafting a company's strategy.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Topic : Strategy and the Strategic Management Process
Bloom's : Understand
Learning Objective : 01-05 Understand that a company's strategy tends to evolve over time because of

28) A company is unlikely to develop an emergent strategy due to

28) _____

A) strategic moves by rival firms.
B) unexpected shifts in customer preferences.
C) fast-changing technological developments.
D) new market opportunities.
E) Rivals' value chain deficiencies.

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Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Difficulty : 1 Easy
Topic : Strategy and the Strategic Management Process
Bloom's : Understand
Learning Objective : 01-05 Understand that a company's strategy tends to evolve over time because of

29) Which of the following statements about a company's realized strategy is true?

29) _____

A) A company's realized strategy is mostly hidden to outside view and is deliberately kept under wraps by top-level managers.
B) A company's realized strategy is typically planned well in advance and usually deviates little from the planned set of actions.
C) A company's realized strategy generally changes very little over time unless a newly appointed CEO decides to take the company in a new direction with a new strategy.
D) A company's realized strategy is typically a blend of deliberate and/or planned initiatives and emergent and/or unplanned reactive strategy elements.
E) A company's realized strategy is developed mostly on the fly because of the constant efforts of managers to keep rival companies at a disadvantage.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Topic : Strategy and the Strategic Management Process
Bloom's : Understand
Learning Objective : 01-05 Understand that a company's strategy tends to evolve over time because of
Difficulty : 2 Medium

30) A company's realized business strategy is made up of

30) _____

Access Complete Test Bank for Essentials of Strategic Management 7th Gamble

A) deliberate and/or planned initiatives that have proven themselves in the marketplace and newly launched initiatives aimed at further boosting performance.

B) emergent and/or reactive adjustments to unanticipated strategic moves by rivals, unexpected changes in customer preferences, and new market opportunities.

C) tactical plans to imitate the key elements of the strategies employed by rivals.

D) both deliberate and/or planned initiatives that have proven themselves in the marketplace and newly launched initiatives aimed at further boosting performance and emergent and/or reactive adjustments to unanticipated strategic moves by rivals, unexpected changes in customer preferences, and new market opportunities.

E) choices among low-cost provider and differentiation strategies.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Topic : Strategy and the Strategic Management Process
Bloom's : Understand
Learning Objective : 01-05 Understand that a company's strategy tends to evolve over time because of
Difficulty : 2 Medium

31) Consider the following three companies and their strategies.

- Company A is an established database management company that acquires a well-reputed but small publishing house to enter the booming publishing industry.
- Company B, a sports management house, declared bankruptcy during a recent recession but now has created a television network that airs regional sports events.
- Company C, a package delivery business, is a startup based on delivery efficiency models created by a few students, and delivers almost all kinds of packages.

The use of strategies by these three companies can be accurately analyzed by saying that

31) _____

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A) Company B employs an emergent strategy, whereas Companies A and C employ deliberate strategies.

B) all three companies employ deliberate strategies.

C) all three companies employ emergent strategies.

D) Company C employs a deliberate strategy; Companies A and B employ emergent strategy.

E) Companies A and C employ emergent strategies; Company B employs a deliberate strategy.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Topic : Strategy and the Strategic Management Process
Difficulty : 3 Hard
Learning Objective : 01-04 Identify the five most dependable strategic approaches for setting a compa
Bloom's : Apply

32) To which of the following firms is the term "repeatedly evolving strategy" *most* applicable?

32) _____

A) a government agency that makes plans for a set period of time and implements them phase by phase through the tenure

B) a mobile company, established in a saturated market, that aims at quarterly release of new products

C) a new cosmetics manufacturer in a market that replicates the products of a competitor at a moderate quality and lower price

D) a nationalized bank that lends at a lower interest rate but with a zero processing fee in a market crowded with privatized banks running at high cost

E) a firearms regulatory agency, set up by the government, that publishes industry standards for safety, reliability, and quality of arms and ammunition

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Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Topic : Strategy and the Strategic Management Process
Learning Objective : 01-05 Understand that a company's strategy tends to evolve over time because of
Difficulty : 2 Medium
Bloom's : Apply

33) Managers of every company should be willing and ready to modify the strategy because

33) _____

A) market conditions and circumstances are changing over time or the current strategy is clearly failing.
B) the task of crafting strategy is a one-time event.
C) the strategic vision necessitates periodic updating.
D) frequent changes in strategy make it very more difficult for rivals to imitate.
E) all strategies are reactive.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Topic : Strategy and the Strategic Management Process
Bloom's : Understand
Learning Objective : 01-05 Understand that a company's strategy tends to evolve over time because of
Difficulty : 2 Medium

34) Which of the following firms uses an emergent strategy?

34) _____

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A) A local hardware store offers a ten-percent discount for seniors on the first Wednesday of every month.

B) An online book reseller diversifies into custom book publishing.

C) An oil-change franchisor continues geographical expansion despite a recession.

D) A health food manufacturer integrates forward into drive-through health food restaurants.

E) A microbrewer invests in building community water wells during a drought.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Topic : Strategy and the Strategic Management Process
Difficulty : 3 Hard
Learning Objective : 01-05 Understand that a company's strategy tends to evolve over time because of
Bloom's : Apply

35) A luxury hot-tub manufacturer offered monogrammed bathrobes as a gimmick when their hot tubs did not sell. Their monogrammed bathrobes became famous among some women and led to a line of exclusive bath products for women. The bathtub manufacturer established shops in various regional locations and hired celebrities to market their products to enhance sales. Today, its products are sold through retail outlets and online sites throughout the world. Which of the following is accurate?

35) _____

A) Offering scented bubble-bath foams and massage coupons was an emergent strategy.

B) Creating a sub-brand that offered exclusive bath products for women was an emergent strategy.

C) Establishing shops in regional locations was an emergent strategy.

D) Roping in celebrities to market their products was an emergent strategy.

E) Creating a worldwide presence through retail outlets and online sites was an emergent strategy.

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Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Topic : Strategy and the Strategic Management Process
Difficulty : 3 Hard
Learning Objective : 01-05 Understand that a company's strategy tends to evolve over time because of
Bloom's : Apply

36) An industrial air-conditioner manufacturing giant decides to outsource its operations to a new geographical location with cheaper labor amidst ongoing labor strikes in a few of its existing locations (due to proposed job cuts and relocation of the plant offshore). This draws criticism in its home market and affects its current market position and productivity. Which of the following would be an appropriate reactive (emergent) strategy while moving forward?

36) _____

A) hiring and training new talent to begin operations in the emerging market
B) acquiring a local computer chip marketing and distribution specialist firm in the new location
C) canceling the idea of outsourcing and retaining the existing workforce to run operations
D) shifting the existing workforce to the new geographical location and paying them according to new standards
E) canceling the job cuts till the market situation and entry operations stabilize

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Topic : Strategy and the Strategic Management Process
Difficulty : 3 Hard
Learning Objective : 01-05 Understand that a company's strategy tends to evolve over time because of
Bloom's : Apply

37) A winning strategy is one that

37) _____

Access Complete Test Bank for Essentials of Strategic Management 7th Gamble

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

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Topic : Strategy and the Strategic Management Process
Difficulty : 2 Medium
Learning Objective : 01-06 Identify the three tests of a winning strategy.

38) A well-conceived strategy builds a company's

38) _____

A) profitability and financial strength.
B) competitive strength and market standing.
C) distinctive competencies and sustainability.
D) competitive edge.
E) ethical worthiness and corporate social responsibility.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Topic : Strategy and the Strategic Management Process
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-06 Identify the three tests of a winning strategy.

39) You have been asked to advise Waltham Furniture, a company that seeks to serve a target middle-class customer demographic obsessed with the quality and price of products. Your proposed value proposition for this company to offer to its customers would be to

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39) _____

A) identify the unique features of your client's furniture without comparing it with a rival's products.

B) offer copycat furniture at low cost but an average quality compared to your client's rivals.

C) offer the same quality of furniture as your client's rivals but at a high cost based on greater market share and higher brand value.

D) provide comparable quality furniture at a much lower price than your rivals but leave the final assembly of purchased furniture to customers accompanied by an easy-to-follow assembly guide.

E) market and sell only average quality furniture compared to your rivals at an imperceptible difference in price.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Difficulty : 3 Hard
Learning Objective : 01-05 Understand that a company's strategy tends to evolve over time because of
Topic : The Importance of a Viable Business Model
Bloom's : Apply

40) In evaluating proposed or existing strategies, managers should

40) _____

A) initiate new initiatives even though they don't seem to match the company's internal and external situation.

B) scrutinize the company's existing strategies on a regular basis to ensure they offer a good strategic fit, create a competitive advantage, and result in above-average performance.

C) evaluate the firm's business model at least every three years.

D) ensure core capabilities are incorporated for establishing a competitive advantage.

E) align existing strategies with new strategies to emphasize incremental gains.

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Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Topic : Strategy and the Strategic Management Process
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-06 Identify the three tests of a winning strategy.

41) Which of the following questions ought to be used to distinguish a winning strategy from a so-so or flawed strategy?

41) _____

A) Does the strategy contain a sufficient number of emergent and/or reactive elements?
B) Is the company putting too little emphasis on growth and profitability and too much emphasis on behaving in an ethical and socially responsible manner?
C) Is the strategy built on a company's weakness, or does it require resources that are deficient in the company?
D) Is the strategy well matched to the company's situation, helping the company achieve a sustainable competitive advantage and resulting in better company performance?
E) Does the strategy strike a good balance between maximizing shareholder wealth and maximizing customer satisfaction?

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Topic : Strategy and the Strategic Management Process
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-06 Identify the three tests of a winning strategy.

42) A pharmaceutical giant acquires a manufacturer of rare specialty drugs to improve its falling share prices and invests all its wealth into the deal. Due to a deficit, it agrees to do a joint venture for the acquisition and involves a major automobile giant to fund the deal. After a rocky start, the companies now have a strong market position and generate good profits. Which of the following regarding the company's strategy is true?

42) _____

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A) It fails the performance test.
B) It fails the competitive advantage and the fit tests.
C) It is a winning strategy.
D) It fails in all three tests.
E) It fails the fit test, but passes the competitive advantage and performance tests.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Topic : Strategy and the Strategic Management Process
Difficulty : 2 Medium
Learning Objective : 01-06 Identify the three tests of a winning strategy.
Bloom's : Apply

43) In evaluating proposed or existing strategies managers should

43) _____

A) evaluate the firm's business model at least every three years.
B) align existing strategies with new strategies to emphasize incremental gains.
C) scrutinize the company's existing strategies on a regular basis to ensure they offer a good strategic fit, create a competitive advantage, resulting in an above-average performance.
D) plan and implement new initiatives regardless of whether or not these match the company's internal and external situation.
E) ensure core capabilities are incorporated for establishing a competitive advantage.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Topic : Strategy and the Strategic Management Process
Difficulty : 3 Hard
Learning Objective : 01-06 Identify the three tests of a winning strategy.
Bloom's : Apply

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44) For John Sidanta, CEO and founder of Primaplast, a manufacturer of biodegradable plastic drinking straws made from recycled material, crafting and executing a strategy is a top-priority managerial task because

44) _____

A) it helps Primaplast management create tight fits between a company's strategic vision and business model.

B) it allows Primaplast company personnel, and especially senior executives, to know the answer to "who are we, what do we do, and where are we headed?"

C) it is Primaplast management's prescription for doing business, its roadmap to competitive advantage, a game plan for pleasing customers, and its formula for improving performance, especially in light of impending community and some food service outlets' bans on conventional plastic drinking straws.

D) it provides Primaplast with clear guidance as to what the company's business model and strategic intent are, and helps keep managerial decision-making from being rudderless.

E) it establishes how well Primaplast executives perform these tasks and are the key determinants of executive compensation.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Difficulty : 3 Hard
Topic : Strategic Approaches to Winning a Sustainable Competitive Advantage
Learning Objective : 01-06 Identify the three tests of a winning strategy.
Bloom's : Apply

SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.

45) Briefly define each of the following terms:

a. strategy
b. business model
c. sustainable competitive advantage

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Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-02 Explain why a company needs a creative, distinctive strategy that sets it
Topic : Strategy and the Strategic Management Process
Learning Objective : 01-03 Explain why it is important for a company to have a viable business model
Topic : The Importance of a Viable Business Model
Learning Objective : 01-01 Understand what is meant by a company's strategy.
Topic : Sustaining a Competitive Advantage

46) List five elements of an enterprise's business strategy.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Topic : Strategy and the Strategic Management Process
Difficulty : 2 Medium
Learning Objective : 01-01 Understand what is meant by a company's strategy.
Topic : Business Models
Topic : Competitive Advantage

47) Explain the difference between a company's business model and a company's strategy.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Difficulty : 3 Hard
Bloom's : Understand
Learning Objective : 01-03 Explain why it is important for a company to have a viable business model
Topic : The Importance of a Viable Business Model

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48) What is the nitty-gritty issue surrounding a company's business model?

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Learning Objective : 01-03 Explain why it is important for a company to have a viable business model
Topic : The Importance of a Viable Business Model
Difficulty : 2 Medium

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

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Learning Objective : 01-04 Identify the five most dependable strategic approaches for setting a compa
Bloom's : Understand
Difficulty : 2 Medium
Topic : Define Competitive Advantage

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

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Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Learning Objective : 01-04 Identify the five most dependable strategic approaches for setting a compa
Bloom's : Understand
Difficulty : 2 Medium
Topic : Define Competitive Advantage

51) Why are capabilities critical to a company's quest for a sustainable competitive advantage?

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Learning Objective : 01-04 Identify the five most dependable strategic approaches for setting a compa
Bloom's : Understand
Difficulty : 2 Medium
Topic : Define Competitive Advantage

52) Why does a company's strategy tend to evolve over time?

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Topic : Strategy and the Strategic Management Process
Bloom's : Understand
Learning Objective : 01-05 Understand that a company's strategy tends to evolve over time because of
Difficulty : 2 Medium

53) Why is a company's realized strategy a blend of proactive and adaptive approaches?

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Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Topic : Strategy and the Strategic Management Process
Bloom's : Understand
Learning Objective : 01-05 Understand that a company's strategy tends to evolve over time because of
Difficulty : 2 Medium

54) Provide at least two examples of a company’s competitively valuable capabilities.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Learning Objective : 01-04 Identify the five most dependable strategic approaches for setting a compa
Difficulty : 2 Medium
Topic : Define Competitive Advantage

55) Define and explain the importance of the two elements of a company’s business model.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Learning Objective : 01-03 Explain why it is important for a company to have a viable business model
Topic : The Importance of a Viable Business Model
Difficulty : 2 Medium

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56) What are the three criteria that determine whether or not a company has a winning strategy?

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : 1 Easy
Topic : Strategy and the Strategic Management Process
Learning Objective : 01-06 Identify the three tests of a winning strategy.

57) What are the three questions that managers can use to distinguish a winning strategy from a so-so or flawed strategy? Briefly explain why each question is important.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Topic : Strategy and the Strategic Management Process
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-06 Identify the three tests of a winning strategy.

58) Why are capabilities needed to build a sustainable competitive advantage so important to a winning business strategy? Cite one of the company examples in the chapter to illustrate your answer.

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Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Topic : Strategy and the Strategic Management Process
Difficulty : 2 Medium
Learning Objective : 01-06 Identify the three tests of a winning strategy.
Bloom's : Create

59) Explain why some companies get to the top of industry rankings and stay there, while others do not.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Topic : Strategy and the Strategic Management Process
Difficulty : 3 Hard
Learning Objective : 01-06 Identify the three tests of a winning strategy.
Bloom's : Create

60) Explain what affects a company’s ultimate success or failure in the marketplace.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Topic : Strategy and the Strategic Management Process
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-06 Identify the three tests of a winning strategy.

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61) SandCloud, a venture-backed established company in the beachwear and toweling markets, decides to donate a part of its profits to a children's charity to improve its market image. Soon afterwards, SoundCloud launched a website that offers new clothes and beach accessories that could be donated to various children's charities by interested parties. The company gained positive publicity and its sales went up. What would you say about this strategy?

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Topic : Strategy and the Strategic Management Process
Bloom's : Analyze
Learning Objective : 01-04 Identify the five most dependable strategic approaches for setting a compa
Difficulty : 2 Medium

62) Keurig, a coffee machine manufacturer, sells high-quality espresso machines at a very low price but provides low-cost refills of varietal coffee pods at a relatively higher price than rivals. Explain this business model.

Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Learning Objective : 01-05 Understand that a company's strategy tends to evolve over time because of
Topic : The Importance of a Viable Business Model
Difficulty : 2 Medium
Bloom's : Apply
AACSB : Technology

63) Pizza Port, a craft brewing and pizza chain in Southern California, manufactures thin-crust pizzas and offers one free pint of beer with the purchase of four large pizzas. What can you say about its Value-Price-Cost Framework?

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Question Details
AACSB : Analytical Thinking
Accessibility : Keyboard Navigation
Bloom's : Analyze
Learning Objective : 01-04 Identify the five most dependable strategic approaches for setting a compa
Topic : The Importance of a Viable Business Model
Difficulty : 2 Medium

64) *Mad Magazine* plans to eliminate future newsstand sales and eliminate any new content and provide magazines to subscribers only, and the space formerly occupied by new content will instead be for high-priced advertisements. Somehow it fails to generate new subscribers or high-priced advertisers in in its magazine. What do we understand from this failure?

Question Details
Accessibility : Keyboard Navigation
Topic : Strategy and the Strategic Management Process
Difficulty : 2 Medium
Learning Objective : 01-06 Identify the three tests of a winning strategy.
Bloom's : Apply
AACSB : Reflective Thinking

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Answer Key

Test name: CH01

1) C
A company's strategy is the set of actions that its managers need to take to outperform the company's competitors and achieve superior profitability.

2) D
A strategy stands a chance of succeeding only when it is predicated on actions, business approaches, and competitive moves aimed at appealing to buyers in ways that set a company apart from rivals.

3) A
A strategy is predicated on actions, business approaches, and competitive moves aimed at appealing to buyers in ways that set a company apart from rivals. Simply trying to mimic the strategies of the industry's successful companies never works.

4) A
Strategy at its essence is about setting a company apart from its rivals and staking out a market position that is not crowded with strong competitors. A company aims at doing what rivals cannot or don't do.

5) B
Strategy spells out why the company matters in the marketplace by defining its approach to creating superior value for customers and how capabilities and resources will be employed to deliver the desired value to customers. In effect, the crafting of a strategy represents a managerial commitment to pursuing an array of choices about how to compete.

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6) A
A sales plan that is based on a low-price, high-cost model usually does not work as it creates a wide gap between investment and realized profits, whereas an attractive mass market plan, diversification of products, positive acquisition, and more visibility in a market are moves to enhance profits.

7) E
A company's strategy focuses on how to achieve (not raise) the company's performance targets.

8) E
The evolving nature of a company's strategy means the typical company strategy is a blend of (1) proactive moves to improve the company's financial performance and secure a competitive edge, and (2) adaptive reactions to unanticipated developments and fresh market conditions.

9) A
A sustainable competitive advantage allows a company to attract sufficiently large numbers of buyers who have a lasting preference for its products or services over those offered by rivals, despite the efforts of competitors to offset that appeal and overcome the company's advantage.

10) C
The bigger and more durable the competitive advantage, the better a company's prospects for winning in the marketplace and earning superior long-term profits relative to rivals.

11) D

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A company's business model is management's blueprint for delivering a valuable product or service to customers in a manner that will yield an attractive profit. A business model consists of two elements: (1) its customer value proposition and (2) its profit formula.

12) E
A company's business model sets forth how its strategy and operating approaches will create value for customers, while at the same time generating ample revenues to cover costs and realizing a profit. The two elements of a company's business model are its (1) customer value proposition and (2) its profit formula.

13) B
A company achieves sustainable competitive advantage when an attractively large number of buyers develop a durable preference for its products or services over the offerings of competitors, despite the efforts of competitors to overcome or erode its advantage.

14) C
A creative, distinctive strategy is a company's most reliable ticket for developing a sustainable competitive advantage and earning above-average profits.

15) B
Developing new tracking technology would be a unique strategy to address FaberRoad's current issue of losing customers.

16) E

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Companies usually engage in mass production when the demand is high, which usually renders low-priced products. Mass production would also result in easy availability of products to customers. These are direct results of adopting a low-cost provider strategy. Companies that produce high-quality products for a large customer base use a broad differentiation strategy. Companies offering high-cost specialized products have a narrow market focus with lower volume generation, thereby reducing their bargaining power with suppliers who are supplying specialized materials.

17) E

The first four options are most frequently used and dependable strategic approaches to setting a company apart from rivals and winning a sustainable competitive advantage. While clever rivals can nearly always copy the attributes of a popular product or service, it is substantially more difficult for rivals to match the know-how and specialized capabilities a company has developed and perfected over a long period.

18) C

Simply trying to mimic the strategies of the industry's successful companies never works. Rather, every company's strategy needs to have some distinctive element that draws in customers and produces a competitive edge.

19) D

BloomsJay caters to LGBTQ clients, focusing on a narrow customer base and providing a unique holiday experience. It has adopted a focused differentiation strategy concentrating on a narrow customer segment and outcompeting rivals by offering customers attributes that meet their specialized needs and tastes better than rivals' offerings.

20) E

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Arnie's Noshes focuses on healthy fast food for non-meat eaters. It caters to drive-through and casual-dining customers seeking healthy alternatives and generates profits by offering products and services that rivals do not or cannot provide, and by focusing on a narrow customer base.

21) E
Adapting to new conditions and constantly evaluating what is working well enough to continue and what needs to be improved are normal parts of the strategy-making process, resulting in an evolving strategy. Strategy features that work with evolving markets would not trigger evolution as long as the firm's fundamentals are sound.

22) D
The baby products retailer selling unassembled parts made in China is most likely to have the lowest costs and to pursue a low-cost provider strategy. The other companies are more likely to pursue focused differentiation or best-cost strategies.

23) E
Competitively valuable company resources and capabilities that are difficult for competitors to imitate or best are said to allow a company to build and sustain competitive advantage.

24) C
Regardless of whether a company's strategy changes gradually or swiftly, the important point is that the task of crafting strategy is not a onetime event but is always a work in progress.

25) A

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A company's strategy tends to evolve over time because of changing circumstances and ongoing management efforts to improve the company's strategy.

26) D
The biggest portion of a company's current strategy flows from ongoing actions that have proven themselves in the marketplace and newly launched initiatives aimed at building a larger lead over rivals and further boosting financial performance. This part of management's action plan for running the company is its proactive, deliberate strategy.

27) A
A company's realized strategy is a combination of both deliberate planned elements and unplanned emergent elements. Some components of a company's deliberate strategy will fail in the marketplace and become abandoned strategy elements.

28) E
Novel strategic moves on the part of rival firms, unexpected shifts in customer preferences, fast-changing technological developments, and new market opportunities call for unplanned, reactive adjustments that form the company's emergent strategy. Rivals' value chain deficiencies generally result in planned strategies.

29) D
As shown in Figure 1.1, a company's realized strategy tends to be a combination of both deliberate planned elements and unplanned, emergent elements.

30) D

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A company's realized strategy is a combination of both deliberate planned elements and unplanned emergent elements. Some components of a company's deliberate strategy will fail in the marketplace and become abandoned strategy elements.

31) B
All three companies do not have reactive strategy elements that emerge as changing conditions warrant. They employ proactive strategies to explore new markets.

32) B
Industry environments characterized by high-velocity change require companies to repeatedly adapt their strategies. The companies in industries with rapid-fire advances in technology like electronics find it essential to adjust key elements of their strategies several times a year, especially in a saturated market with ample competitors.

33) A
A company's strategy evolves incrementally as management fine-tunes various pieces of the strategy and adjusts the strategy in response to unfolding events. Inevitably there will be occasions when changing market and competitive conditions call for some kind of strategic reaction or abandonment of a current strategy, but a company's strategy also consists of deliberate and proactive (or planned) elements.

34) E
The microbrewer deliberately diversifies its offerings to gain more profits and strengthen its market position—it is not a result of changing internal and external environmental factors, whereas the other examples are a result of changes to the market, changes in customer preferences, or changes in the economic climate.
35) B

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Capitalizing upon the new surprising opportunity by creating a sub-brand that offered exclusive bath products for women was a reactive response to unanticipated developments and fresh market conditions.

36) E

Canceling the job cuts for the time being to solidify its market position is a reactive strategy to ensure that new operations and current productivity are not affected. This crisis intervention is not a permanent solution, but a reactive strategy to maintain current balance. The first two options are proactive strategies. Second and fourth options are either nonviable or high-risk reactive strategies.

37) D

A winning strategy must fit the company's external and internal situation, build sustainable competitive advantage, and improve company performance.

38) E

The mark of a winning strategy is strong company performance. Two kinds of performance improvements tell the most about the caliber of a company's strategy: (1) gains in profitability and financial strength, and (2) advances in the company's competitive strength and market standing.

39) D

The targeted customer base for Waltham Furniture would be most benefited with a company's proposition that provides high quality products at a lower price. The benefit of cost savings on assembling final products is passed on to the customer through low prices, a part of which would also contribute to the company's profit.

40) B

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New initiatives that don't seem to match the company's internal and external situation should be scrapped before they come to fruition, while existing strategies must be scrutinized on a regular basis to ensure they offer a good strategic fit with the company's internal and external situation, create a competitive advantage, and contribute to above-average performance or performance improvements.

41) D

It's unwise to build a strategy upon the company's weaknesses or pursue a strategic approach that requires resources that are deficient in the company. Unless a strategy exhibits a tight fit with both the external and internal aspects of a company's overall situation, it is unlikely to produce respectable first-rate business results.

42) C

The pharmaceutical giant assessed the market, identified a suitable solution to accentuate its market position, gained a competitive edge by adding a specialty drug to its product line, and realized financial profits and a strong market position. The strategy is a winner as it clears all three tests.

43) C

New initiatives that don't seem to match the company's internal and external situation should be scrapped before they come to fruition, while existing strategies must be scrutinized on a regular basis to ensure they offer a good strategic fit with the company's internal and external situation, create a competitive advantage, and contribute to above-average performance or performance improvements.

44) C

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High-achieving enterprises like Primaplast are nearly always the product of astute, creative, and proactive strategy making. A company's business model, its operational model, and realized results are factors associated with its strategy.

45) A strategy consists of the actions and moves in the marketplace that managers are taking to gain a competitive edge over rivals. A company's business model is management's blueprint for delivering a valuable product or service to customers in a manner that will yield an attractive profit. A company is said to achieve a sustainable competitive advantage when an attractively large number of buyers develop a durable preference for its products or services over the offerings of competitors, despite the efforts of competitors to overcome or erode that advantage.

46) The five elements of an enterprise's business strategy include: (1) creating products and services that attract and please customers; (2) acting to position the company in its industry; (3) developing and deploying resources to build valuable competitive capabilities; (4) acting to insure how important functions (R&D, supply chain activities, production, sales and marketing, distribution, finance, and human resources) will be operated; and (5) acting to achieve the company's performance targets.

47) While the company's strategy sets forth an approach to offering superior value, a company's business model is management's blueprint for delivering a valuable product or service to customers in a manner that will yield an attractive profit, incorporating its customer value proposition and its profit formula.

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48) The nitty-gritty issue surrounding a company's business model is whether it can execute its customer value proposition profitably. Just because company managers have crafted a strategy for competing and running the business does not automatically mean the strategy will lead to profitability. It may or it may not.

49) The heart and soul of any strategy consists of the approaches to the marketplace that managers are taking to gain a sustainable competitive edge over rivals. Five of the most frequently used and dependable strategic approaches to setting a company apart from rivals and winning a sustainable competitive advantage are: (1) a low-cost provider strategy, (2) a broad differentiation strategy, (3) a focused low-cost strategy, (4) a focused differentiation strategy, and (5) a best-cost provider strategy.

50) Yes, because a sustainable competitive advantage can allow a company to attract sufficiently large numbers of buyers who have a lasting preference for its products or services over those offered by rivals, despite the efforts of competitors to offset that appeal and overcome that company's advantage. As to whether or not a sustainable competitive advantage makes a difference, the larger and more durable the competitive advantage, the better a company's prospects for winning in the marketplace and earning superior long-term profits relative to rivals.

51) Clever rivals can nearly always copy the attributes of a popular product or service, but it is substantially more difficult for rivals to match the know-how and specialized capabilities a company has developed and perfected over a long period.

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52) A company's strategy tends to evolve over time due to (1) changing circumstances and (2) ongoing management efforts to improve the company's strategy.

53) A company's realized strategy is a combination of both deliberate or proactively planned elements and unplanned or adaptive emergent elements. This is because changing circumstances and ongoing management efforts to improve the strategy cause a company's strategy to evolve over time—a condition that makes the task of crafting a strategy a work in progress, not a one-time event.

54) See Concepts & Connections 1.2 (Starbucks' Strategy in the Specialty Coffee Market). Several competitively valuable capabilities include: (1) training staff to provide customized products to customers, (2) elevating the customer experience via ambience and store design, (3) creating a supply chain that provides only the highest quality raw materials and ingredients, (4) demonstrating a commitment to corporate social responsibility, (5) pursing opportunities for both domestic and international expansion, and (6) broadening and periodically refreshing the product mix.

55) A company's business model incorporates its customer value proposition and its profit formula. The customer value proposition lays out the company's approach to satisfying buyer wants and needs at a price customers will consider a good value; that is, the greater the value provided and the lower the price, the more attractive the value proposition is to customers. The profit formula describes the company's approach to determining a cost structure that will allow for acceptable profits given the pricing tied to its customer value proposition; that is, the lower the costs given the customer value proposition, the greater the ability of the business model to be a moneymaker.

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56) A winning strategy must (1) fit the company's external and internal situation, (2) build sustainable competitive advantage, and (3) improve company performance.

57) The three questions to distinguish a winning strategy from a so-so or flawed strategy are: (1) How well does the strategy fit the company's situation? (2) Is the strategy helping the company to achieve a sustainable competitive advantage? (3) Is the strategy producing good company performance? Regarding its fit with a company's internal and external situation, a strategy has to be well matched and must fit competitive conditions in the industry and other aspects of the enterprise's external environment. At the same time, it should be tailored to the company's collection of competitively important resources and capabilities. Regarding strategy and the achievement of sustainable competitive advantage, strategies that fail to achieve a durable competitive advantage over rivals are unlikely to produce superior performance for more than a brief period of time; the bigger and more durable the competitive edge that the strategy helps build, the more powerful it is. Regarding strategy and performance, the mark of a winning strategy is a strong company performance; the caliber of a company's strategy can be measured by (1) gains in profitability and financial strength and (2) advances in the company's competitive strength and market standing.

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58) A strategy should be tailored to the company's collection of competitively important resources and capabilities. It's unwise to build a strategy upon the company's weaknesses or pursue a strategic approach that requires resources that are deficient in the company. Examples include: (1) FedEx's superior capabilities in next-day delivery of small packages and (2) Hyundai's advanced manufacturing processes and unparalleled quality control system. The capabilities of both of these companies have proven difficult for competitors to imitate or best and have allowed each to build and sustain competitive advantage.

59) The better conceived a company's strategy and the more competently it is executed, the more likely that the company will be a standout performer in the marketplace. In stark contrast, a company that lacks clear-cut direction, has a flawed strategy, or can't execute its strategy competently is a company whose financial performance is probably suffering, whose business is at long-term risk, and whose management is sorely lacking. That is, how well a company performs is directly attributable to the caliber of its strategy and the proficiency with which the strategy is executed.

60) Among all the things managers do, nothing affects a company's ultimate success or failure more fundamentally than how well its management team charts the company's direction, develops competitively effective strategic moves and business approaches, and pursues what needs to be done internally to produce good day-in, day-out strategy execution and operating excellence. Indeed, good strategy and *good strategy execution are the most telling signs of good management.*

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61) SandCloud has adopted a proactive strategy and used its existing market position to create a new market opportunity. This planned initiative improved the company's financial performance and secured a competitive edge.

62) Selling high-quality Keurig machines at a very low price is the company's customer value proposition, and then selling low-cost refills at a relatively higher price is the company's profit formula. The two elements of a company's business model are (1) its customer value proposition and (2) its profit formula. The customer value proposition lays out the company's approach to satisfying buyer wants and needs at a price that customers will consider a good value. The profit formula describes the company's approach to determining a cost structure that will allow for acceptable profits, given the pricing tied to its customer value proposition.

63) Thin-crust pizzas allow the pizza maker to cut down on dough costs. That is its profit formula, and free soft drinks with a larger pack is both a profit formula and a value proposition for customers. The two elements of a company's business model are (1) its customer value proposition and (2) its profit formula. The customer value proposition lays out the company's approach to satisfying buyer wants and needs at a price that its customers will consider a good value. The profit formula describes the company's approach to determining a cost structure that will allow for acceptable profits, given the pricing tied to its customer value proposition.

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64) Changing to a subscription-only model, relying solely on previously-created content, and utilizing space for advertisements might have been conceived as a great strategy to earn recurring revenues and higher profits for *Mad Magazine*, but poor planning and execution of this strategy led to its failure. Good strategy and good strategy execution are the most telling signs of good management. The rationale for using the twin standards of good strategy making and good strategy execution to determine whether a company is well managed is therefore compelling: The better conceived a company's strategy and the more competently it is executed, the more likely the company will be a standout performer in the marketplace.

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