Test Bank for Strategic Management Concepts and Cases Competitiveness and Globalization 13th Hitt

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TRUE/FALSE

1 : The external environment facing business stays relatively constant over time.
A : true
B : false

Correct Answer : B

2 : Demographic, economic, political/legal, sociocultural, technological, global, and sustainable physical are the seven elements comprising the general environment.
A : true
B : false

Correct Answer : A

3 : Firms can directly control the elements of the seven segments of the general environment.
A : true
B : false

Correct Answer : B

4 : The bankruptcy filings by major corporations during the Great Recession illustrate that firms cannot directly control the general environment's segments.
A : true
B : false

Correct Answer : A

5 : The industry environment directly influences a firm and its competitive actions and responses.
A : true
B : false

Correct Answer : A

6 : Competitor analysis is focused on the factors and conditions influencing an industry's profitability potential.
A : true
B : false

Correct Answer : B

7 : When firms analyze the external environment, they typically have complete and unambiguous data.
A : true
B : false

Correct Answer : B

8 : Opportunities allow a company to exploit conditions in the environment while threats can lead to damage to a company’s integrity.
A : true

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B : false

Correct Answer : A

9 : Scanning involves detecting meaning through early signals of environmental changes and trends.
A : true
B : false

Correct Answer : B

10 : When Google studies the Internet user privacy policies of various nations, it is engaged in the forecasting component of the environmental analysis process.
A : true
B : false

Correct Answer : B

11 : China allows its firms to copy, or pirate, software created by firms in the United States and other countries. The Chinese firms take the intellectual property created by the other companies and then sell the resulting products for a lower price, undercutting the sales of the companies that invested in the product development. This activity represents a threat in the general environment that might prevent the U.S. companies from achieving strategic competitiveness.
A : true
B : false

Correct Answer : A

12 : Age structure, geographic distribution, income distribution, interest rates, and process innovations are all elements of concern when studying the demographic segment of the general environment.
A : true
B : false

Correct Answer : B

13 : Because recessions and recoveries follow certain patterns, firms can study the economic environment to predict economic trends. This was particularly valuable in dealing with the recovery after the global recession of 2008-2009.
A : true
B : false

Correct Answer : B

14 : The legislation introduced in the U.S. Congress during the early tenure of the Obama administration intended to reduce the amount of work U.S. companies outsource and is an example of a potential change in the sociocultural segment of the general environment.
A : true
B : false

Correct Answer : B

15 : The UK's exit from the EU and political upheavals in Egypt, Tunisia, Libya, and Syria illustrate

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uncertainties in the political/legal segment of the general environment that could affect the performance of business firms.
A : true
B : false

Correct Answer : A

16 : A firm that sells cannabis in the states of Colorado and Washington might consider expanding into California, as that state recently legalized the retail selling of cannabis. The firm may also want to examine other state laws to see where else cannabis sales are legal. However, it would be ineffective to develop a strategy to encourage legalization in states that currently prohibit it as a means of future expansion, since firms are generally unable to influence the political/legal segment of the external environment.
A : true
B : false

Correct Answer : B

17 : Although health care reform legislation was passed in the early part of the Obama administration, it continues to be a contentious issue for employers, employees, and politicians because of its increased expenses. These attitudes about health care reform make up the sociocultural segment of the general environment.
A : true
B : false

Correct Answer : A

18 : Early adopters of new technology often achieve higher market shares and higher returns than later adopters of the technology.
A : true
B : false

Correct Answer : A

19 : The global segment of the external environment provides many opportunities for large corporations but does not represent an appropriate market segment for family business firms, even large ones.
A : true
B : false

Correct Answer : B

20 : Globalfocusing is often used by firms with high levels of international operations that further increase their internationalization by focusing on global niche markets.
A : true
B : false

Correct Answer : B

21 : Methods of waste reduction and options to use renewable energy are aspects of the technological environment segment that firms should monitor.
A : true
B : false

Correct Answer : B

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22 : PepsiCo's strategy called "capital performance with a purpose" links green efforts in businesses to the bottom line. This is an example of addressing concerns in the sustainable physical segment of the general environment.
A : true
B : false

Correct Answer : A

23 : The five competitive forces model expands the arena of competitive analysis beyond direct competitors (i.e., rivals) to include buyers and suppliers who may also be a source of competition.
A : true
B : false

Correct Answer : A

24 : Switching costs, access to distribution channels, economies of scale, large numbers of competing firms, and slow industry growth are some of the entry barriers that may affect the threat of new entrants to an industry.
A : true
B : false

Correct Answer : B

25 : An example of a government policy barrier to entry would be a scenario in which the Antitrust Division of the Department of Justice disallows a merger because it creates a firm that is too dominant and would thus create unfair competition.
A : true
B : false

Correct Answer : A

26 : Suppliers are powerful when the industry is dominated by a few large companies, no satisfactory substitutes are available, the selling industry is relatively more concentrated than the purchasing industry, or switching costs are high.
A : true
B : false

Correct Answer : A

27 : Exit barriers are especially low in the airline industry because aircraft are not particularly specialized and can easily be sold to other airlines, air cargo companies, the military, or even to wealthy individuals who want to own a private jet.
A : true
B : false

Correct Answer : B

28 : Generally, industries with stronger competitive forces have higher profit potential.
A : true
B : false

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Correct Answer : B

29 : An attractive industry is one that is characterized by high entry barriers, suppliers and buyers with strong bargaining power, low threats from substitute products, or low rivalry among firms.
A : true
B : false

Correct Answer : B

30 : Strategic groups are firms in different industries following the same or similar strategies.
A : true
B : false

Correct Answer : B

31 : The strengths of the five competitive forces are similar across strategic groups within an industry.
A : true
B : false

Correct Answer : B

32 : The more distant strategic groups are in terms of their strategies, the greater the likelihood of rivalry between the groups.
A : true
B : false

Correct Answer : B

33 : The competitor analysis is the final part of the external environment analysis and focuses on each company against which a firm directly competes (for example, Coca-Cola and PepsiCo, Home Depot and Lowe's, and Airbus and Boeing).
A : true
B : false

Correct Answer : A

34 : A competitor's capabilities can be measured by studying its current strategies and future objectives.
A : true
B : false

Correct Answer : B

35 : When Delta Air Lines wants to study Continental Airlines, it must examine both Continental and its complementor, Star Alliance.
A : true
B : false

Correct Answer : A

36 : Eavesdropping is an ethical way to obtain information about competitors' actions.
A : true

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B : false

Correct Answer : B

37 : Any competitor intelligence practice that is legal is also ethical.
A : true
B : false

Correct Answer : B

38 : In order to gain information about its competitor, EBD Corp., Alpha Company obtained copies of EBD's annual reports for the last five years. This action is unethical, and possibly illegal.
A : true
B : false

Correct Answer : B

MULTIPLE CHOICE

39 : BP, in response to the Deepwater Horizon oil spill, expected increased scrutiny from which of the following segments of the general environment?
A : Political/legal
B : Global
C : Technological
D : Sociocultural

Correct Answer : A

40 : Coca-Cola and PepsiCo have been accused of contributing to the obesity problem in the United States. This accusation comes from the _____segment of the general environment.
A : economic
B : political/legal
C : technological
D : sociocultural

Correct Answer : D

41 : The recent joint ventures formed by BP with Russian and Indian partners show the importance of the _____ segment of the general environment in those countries that BP and other oil firms must manage when contending with scarce resources.
A : technological
B : physical
C : demographic
D : global

Correct Answer : D

42 : Acme Valves, Inc., has been a successful player in the oil field supply industry in the last 15 years. Acme maintained its strategy and product characteristics over this time period. However, the company has experienced declines in sales and profits over the last four quarters. The CEO of Acme should:
A : continue with the proven strategy because its returns over the long run are important.

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B : focus on improving efficiency of production and cost control.
C : conduct an analysis of the external environment.
D : immediately begin making incremental adjustments to the traditional business strategy in an effort to improve sales.

Correct Answer : C

43 : What is the relationship between a firm's industry environment and the firm's earning potential?
A : A firm cannot influence the industry environment, and must focus on other factors in order to achieve above-average returns.
B : The more a firm can favorably influence its industry environment, the more likely it is to achieve above-average returns.
C : The less a firm is affected by its industry environment, the better situated it is to achieve above-average returns.
D : The more a firm can neutralize competitors advantages, the greater its chances are for above-average returns.

Correct Answer : B

44 : The _____ environment is composed of dimensions in the broader society that influence an industry and the firms within it.
A : general
B : competitor
C : sociocultural
D : industry

Correct Answer : A

45 : How does the aging of the population pose a threat to firms?
A : Older people have limited purchasing power
B : Delayed retirement keeps people in positions when they are no longer able to effectively do their jobs.
C : It becomes more difficult for firms to hire and retain a workforce that meets their needs.
D : Older and more experienced workers demand higher salaries, boosting production costs.

Correct Answer : C

46 : Aardvark Corp. has three products. Two products together make up two-thirds of revenues and constitute 50 percent of company profits. Aardvark's third product makes up one-third of sales. With profitability far above the industry average, this product is responsible for one-half of Aardvark's profits. Which of the following statements regarding assessment of the general environment is accurate for Aardvark?
A : The company should monitor the general environment for changes that might affect the revenue of all products.
B : The company should monitor the general environment for changes that might affect the profitability of the most profitable products.
C : The company should monitor the general environment for changes that might affect the profitability of all products.
D : The company should monitor the general environment for changes that might affect the revenue and profitability of all products.

Correct Answer : D

47 : Which of the following is NOT an activity used in the external environmental analysis process?
A : Scanning
B : Decrypting

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C : Monitoring
D : Assessing

Correct Answer : B

48 : Environmental scanning would be MOST important for which of the following organizations?
A : A provider of hospice services for the terminally ill
B : A web design company catering to small businesses
C : A neighborhood sewer and water utility
D : A manufacturer of household linens

Correct Answer : B

49 : The European Union has imposed new tariffs on certain goods entering the region from other countries. When completing an analysis of the general environment, into which segment would you categorize this activity?
A : Demographic
B : Economic
C : Global
D : Political/Legal

Correct Answer : D

50 : When analysts develop feasible projections of future events and how quickly they will occur based on observed changes and trends, they are engaged in:
A : scanning.
B : monitoring.
C : forecasting.
D : assessing.

Correct Answer : C

51 : A general environmental analysis can be expected to produce all of the following EXCEPT:
A : objective answers.
B : recognition of environmental trends.
C : identification of organizational opportunities.
D : identification of organizational threats.

Correct Answer : A

52 : In analyzing the demographic segment of the general environment, one typically examines all of the following factors EXCEPT:
A : age structure.
B : ethnic mix.
C : distribution of income.
D : cultural values.

Correct Answer : D

53 : Which of the following information, gathered in an analysis of the general environment, would indicate an opportunity for an entrepreneur who wishes to open a business providing "Fitness for Life" physical conditioning services (strength, balance, and flexibility training) in a city of 100,000 people?
A : The average age of the population in his community is high.
B : The level of unemployment in his community is high.

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C : A chiropractor and two independent physical therapists are located in his community.
D : The average education level of the population in his community is low.

Correct Answer : A

54 : An analysis of income distribution would include all of the following EXCEPT:
A : the purchasing power of various age groups.
B : the discretionary income of various ethnic groups.
C : wage differentials between male and female employees working for a large manufacturer.
D : how income is distributed among regions of the United States.

Correct Answer : C

55 : Demographic changes include variations in income distribution. Which of the following statements is true?
A : Firms are most interested in the consumers in the top 10 percent of household income.
B : In general, living standards have deteriorated over time.
C : The general loss in real income has been somewhat offset by the increase in dual-career couples.
D : Workforce diversity is making the concept of average income obsolete.

Correct Answer : C

56 : An analysis of the economic segment of the external environment would include all of the following EXCEPT:
A : interest rates.
B : trade deficits or surpluses.
C : inflation rates.
D : income distribution.

Correct Answer : D

57 : The economic environment refers to:
A : the nature and direction of the economy in which a firm competes or may compete.
B : the economic outlook of the world provided by the World Bank.
C : an analysis of how the environmental movement and world economy interact.
D : an analysis of how new environmental regulations will affect the U.S. economy.

Correct Answer : A

58 : Which of the following would NOT be identified in an analysis of the economic portion of the general environment?
A : The willingness of Chryslers buyers to purchase large vehicles in light of an increase in oil prices
B : The ability of Ford to issue new debt in light of its recent financial performance
C : The ability of BMWs buyers to finance car purchases in light of a change in interest rates
D : The willingness of GM buyers to purchase new vehicles in light of the threat of recession

Correct Answer : B

59 : The political/legal segment of an environment represents:
A : the political preferences of different ethnic groups in the society.
B : the technological values of different political entities in society.
C : how organizations and governments mutually try to influence each other.
D : the system of regulations governments at all levels place on businesses.

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Correct Answer : C

60 : All of the following are aspects of the political/legal segment of the general environment EXCEPT:
A : antitrust laws.
B : attitudes and values.
C : taxation laws.
D : deregulation philosophies.

Correct Answer : B

61 : An analysis of society's attitudes and values would be conducted when studying the _____ segment of the general environment.
A : sociocultural
B : global
C : demographic
D : economic

Correct Answer : A

62 : In a suburban community outside a city in Alabama, a retail store opened that specialized in dancewear for children and adults. It was moderately successful for five years until the local newspaper published an exposé that scanty lingerie stocked in the back of the store's showroom was selling briskly to a certain clientele. Afterward, the store lost most of its customers and nearly closed. Which of the following segments of the environment did the store owners fail to take into account when they began selling the lingerie?
A : Sociocultural
B : Economic
C : Demographic
D : Political/legal

Correct Answer : A

63 : The technological segment of environmental analysis includes:
A : institutions and activities involved in creating new knowledge and translating that knowledge into new outputs.
B : the determination of when machinery will need to be replaced in a given firm.
C : the need for new technology used by a firm to gain a competitive advantage.
D : places where a firms technology will allow that firm to dominate a given market.

Correct Answer : A

64 : Understanding how new knowledge can develop new products, processes, or materials is a result of analyzing the _____ segment of the general environment.
A : economic
B : political/legal
C : technological
D : global

Correct Answer : C

65 : The next critical technological opportunity for organizations is predicted to be: Bella's Boutique used to be a brick and mortar store exclusively. It has gradually increased its Internet sales, and online sales now account for

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most of its revenue. This change in sales model illustrates the importance of monitoring which segment of the environment?
A : Political/legal
B : Economic
C : Demographic
D : Technological

Correct Answer : D

66 : Which of the following would be an example of the application of the next major technological opportunity for organizations?
A : Boeings 747
B : Toyotas hybrid vehicles
C : Budweiser's non-alcoholic beer
D : SpaceX's reusable space vehicle

Correct Answer : D

67 : The observation that a country reached automotive production overcapacity in 2018, is an aspect of the _____ segment of the general environment.
A : demographic
B : global
C : physical
D : technological

Correct Answer : B

68 : Because of threats and risks in the global environment, some firms choose to take a more cautious approach by:
A : avoiding global markets altogether.
B : expanding only to developed countries.
C : focusing on global niche markets.
D : acquiring already established firms in foreign markets.

Correct Answer : C

69 : The concepts of guanxi and wa convey the general idea of:
A : entrepreneurial risk-taking.
B : interpersonal relationships.
C : the value of hard work.
D : personal achievement.

Correct Answer : B

70 : Diverse energy sources and energy consumption trends are aspects of the _____ segment of the general environment that firms should monitor.
A : technological
B : physical
C : sociocultural
D : economic

Correct Answer : B

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71 : Green design, sustainable packaging, waste management, and energy efficiency are aspects of the _____ segment of the general environment that companies have sought to address with environmental sustainability initiatives.
A : technological
B : political/legal
C : global
D : physical

Correct Answer : D

72 : All of the following are examples of efforts by firms to address the physical segment of the general environment EXCEPT the:
A : development of sustainable packaging by McDonalds.
B : reduction in carbon dioxide emissions by Procter & Gamble.
C : reduction in water usage in plants by Unilever.
D : increase in hiring of women and minorities at Microsoft.

Correct Answer : D

73 : One popular approach to taking care of the physical environment is:
A : producing and selling additional green products.
B : lobbying the government to reduce environmental regulations.
C : making donations to the Sierra Club and other environmental organizations.
D : increasing health benefits for employees.

Correct Answer : A

74 : An industry is defined as:
A : a group of firms producing the same products or services.
B : firms producing items that sell through the same distribution channels.
C : firms that sell the same products or services to the same customer base.
D : a group of firms producing products that are close substitutes.

Correct Answer : D

75 : The likelihood of entry of new competitors is affected by _____ and _____.
A : barriers to entry; the expected retaliation of current industry participants
B : the power of existing suppliers; buyers
C : the profitability of the industry; the market share of its leading firm
D : the demand for the product; the profitability of the competitors

Correct Answer : A

76 : Which of the following is NOT an entry barrier to an industry?
A : Expected competitor retaliation
B : Economies of scale
C : Customer product loyalty
D : Bargaining power of suppliers

Correct Answer : D

77 : New entrants to an industry are more likely when:
A : it is difficult to gain access to distribution channels.

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B : economies of scale in the industry are high.
C : product differentiation in the industry is low.
D : capital requirements in the industry are high.

Correct Answer : C

78 : Economies of scale refers to the fact that as the quantity of product produced in a given time period _____, the cost of manufacturing each unit _____.
A : increases; increases
B : increases; remains constant
C : increases; decreases
D : decreases; decreases

Correct Answer : C

79 : The large amount of advertising by firms such as Procter & Gamble and Colgate-Palmolive promotes which of the following barriers to entry?
A : Access to distribution channels
B : Capital requirements
C : Economies of scale
D : Product differentiation

Correct Answer : D

80 : Product differentiation refers to the:
A : ability of the buyer of a product to negotiate a lower price.
B : response of incumbent firms to new entrants.
C : belief by customers that a product is unique.
D : fact that as more of a product is produced the cheaper it becomes per unit.

Correct Answer : C

81 : A family just changed to a different mobile phone and data service provider. They now need take some time to transfer their content to new phones and learn the features of the new service. This is an example of a:
A : one-time cost of product differentiation.
B : decrease in cost due to economies of scale.
C : one-time cost suppliers incur when selling to a different customer.
D : switching cost customers incur changing to a new supplier.

Correct Answer : D

82 : Customer loyalty programs such as airline frequent flyer miles are an attempt to:
A : decrease competitors access to distribution channels.
B : develop a cost advantage independent of scale.
C : increase customers switching costs.
D : overcome the perishability of the hotel "product."

Correct Answer : C

83 : As customers come to believe that a firm's product is unique, this allows the firm to:
A : decrease its advertising expenditures.
B : customize its product.
C : force other companies out of the market by lowering prices.

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D : obtain loyal customers.

Correct Answer : D

84 : DWK Foods has developed a line of cookies and candies sweetened exclusively with organic honey. Although DWK is selling some of the products over the Internet, in order to gain economies of scale, the products must be sold in retail outlets as well. The main barrier to entry that DWK is likely to encounter here is:
A : government licensing and permits.
B : access to distribution channels.
C : consumers switching costs.
D : cost disadvantages independent of scale.

Correct Answer : B

85 : For a restaurant business dependent on drive-thru customers, the major cost disadvantage independent of scale would be if:
A : favorable locations are not available.
B : other competitors have proprietary product technology.
C : access to food and ingredients is difficult.
D : other competitors have government subsidies.

Correct Answer : A

86 : A certain marble quarry provides a unique type of marble that is richly colored and strikingly veined. It has been used for churches and public buildings throughout the world. The architect of a new headquarters for a prestigious Fortune 500 firm has specified the use of this marble, and this marble only, for the project. Which of the following statements is MOST likely to be true?
A : The cost of the marble will be expensive because of the bargaining power of the supplier.
B : The cost of the marble will be moderate because of the bargaining power of the buyer.
C : The cost of the marble will be moderate because of economies of scale.
D : The cost of the marble will be expensive because of the high strategic stakes involved.

Correct Answer : A

87 : Suppliers are powerful when:
A : satisfactory substitutes are available.
B : they sell a commodity product.
C : they offer a credible threat of forward integration.
D : they sell in a highly concentrated industry.

Correct Answer : C

88 : Consolidation among fuel providers serving airport facilities is viewed in the five forces model of competition as a(n):
A : reduction of the airlines ability to benefit from economies of scale.
B : increase in switching costs because the airlines have no choice but to use jet fuel and other oil products.
C : increase in the bargaining power of suppliers of a critical input.
D : increase in the intensity of rivalry among airlines for scarce resources.

Correct Answer : C

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89 : Blood banks are highly dependent on donors. In the terminology of industry analysis, which of the following statements about donors is accurate?
A : Blood donors are suppliers and are powerful because of the critical nature of what they provide to the blood bank.
B : Blood donors are suppliers and are powerful because of their concentration relative to the blood bank.
C : Blood donors are buyers and are not powerful because switching costs to change to alternative inputs are low.
D : Blood donors are buyers and are powerful because of the volume of blood needed.

Correct Answer : A

90 : The aircraft industry has long been dominated by two large aircraft manufacturers, Boeing and Airbus. The demand for major aircraft is low, and Boeing and Airbus aggressively compete for orders from airlines. Which of the following effects will these conditions have on the domestic airline industry?
A : It will make the airline industry more attractive because of decreased supplier power.
B : It will make the airline industry less attractive because of decreased supplier power.
C : It will make the airline industry more attractive because of increased supplier power.
D : It will make the airline industry more attractive because of a new entrant.

Correct Answer : A

91 : Golden Lotus, an exercise club targeting healthy individuals over 50, is located in a fast-growing city in the Southwest. Which of the following factors that may have an effect on the success of Golden Lotus is the MOST directly controllable by the company?
A : Sociocultural environment
B : Demographics of the environment
C : Economy of the local area
D : Power of the customers/buyers

Correct Answer : D

92 : Buyers are powerful when:
A : there is a threat of forward integration.
B : they purchase a small proportion of the suppliers output.
C : switching costs are low.
D : the buyers industry is fragmented.

Correct Answer : C

93 : The highest amount a firm can charge for its products is MOST directly affected by:
A : expected retaliation from competitors.
B : the cost of substitute products.
C : variable costs of production.
D : customers high switching costs.

Correct Answer : B

94 : The threat from substitutes is high when:
A : switching costs are high.
B : the substitute products price is lower than the industry products price.
C : the quality of the substitute product is lower than the quality of the industrys product.
D : the substitute product stimulates new process innovations within the industry.

Correct Answer : B

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95 : Media content has moved from paper, tape, and film to a digital world based on Internet technology. From the perspective of the five forces model, which of the following forces is MOST relevant here?
A : Buyers
B : Substitutes
C : Entry barriers
D : Suppliers

Correct Answer : B

96 : All of the following are forces that create high rivalry within an industry EXCEPT:
A : numerous or equally balanced competitors.
B : high fixed costs.
C : fast industry growth.
D : high storage costs.

Correct Answer : C

97 : In a particular industry, products need a certain level of maintenance. Customers can take the product to service companies to provide that maintenance. However, a number of manufacturers offer reasonably priced maintenance packages as well. This level of service after the sale indicates what about the industry?
A : Low switching costs have empowered customers.
B : The industry is moving toward differentiation of services.
C : The competitive rivalry in the industry is high.
D : The economic segment of the external environment has shifted, but strategies have remained the same.

Correct Answer : C

98 : A manufacturer of washing machines has expanded its plant and created excess capacity, just as the general economy takes a downturn. The company is likely to:
A : raise prices on washing machines to offset lost sales.
B : be vulnerable to new entrants to an attractive market.
C : suffer from intense rivalry from international manufacturers.
D : offer rebates and incentives to customers to promote sales.

Correct Answer : D

99 : When rival firms compete aggressively by trying to attract competitors' customers, this might be an indication of:
A : an industry with low exit barriers.
B : increasing economies of scale.
C : slow industry growth.
D : high switching costs.

Correct Answer : C

100 : Mighty Green, a residential lawn chemical manufacturer, is committed to gaining market share in its industry. Mighty Green:
A : is likely to raise the level of competitive rivalry in the industry.
B : probably has top management who are affected by emotional barriers to exit.
C : has decided that long-run above-average returns are not important.
D : will probably embark on an acquisition strategy.

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Correct Answer : A

101 : Which of the following explains, in part, why rivalry among McDonald's, Wendy's, and Burger King is intense?
A : There is low geographic saturation of the market.
B : There is high differentiation among competing products.
C : The threat of supplier forward integration is low.
D : These companies are trying to find ways to differentiate their products.

Correct Answer : D

102 : Circuit Inc. is a manufacturer of a broad range of consumer electronics products. These consumer products are all highly profitable. The firm also manufactures a low-cost component that is an essential differentiating feature for most of its consumer products. The costs to manufacture this component have risen sharply in recent months. Internal estimates now indicate the company is breaking even on the manufacture of this component. Which of the following is MOST likely?
A : Circuit Inc. will likely continue to manufacture the component, even at a loss, due to low supplier power.
B : Circuit Inc. will likely continue to manufacture the component, even at a loss, due to high strategic stakes.
C : Circuit Inc. will likely discontinue manufacture of the component due to low strategic stakes.
D : Circuit Inc. will likely discontinue manufacture of the component due to high supplier stakes.

Correct Answer : B

103 : Exit barriers to a firm include all of the following EXCEPT:
A : generic assets.
B : loyalty to employees.
C : government concern about job loss.
D : restrictive labor agreements.

Correct Answer : A

104 : An owner of a stable of racehorses has been earning below-average returns for more than 15 years. To a colleague, he expressed his determination to stay in horse racing until he died because "racing is in my blood." This individual is probably still racing horses because of:
A : high barriers to exit.
B : high switching costs.
C : high fixed costs.
D : low levels of competitive rivalry.

Correct Answer : A

105 : According to the five forces model, an attractive industry would have all of the following characteristics EXCEPT:
A : low barriers to entry.
B : suppliers and buyers with little bargaining power.
C : a moderate degree of rivalry among competitors.
D : few good product substitutes.

Correct Answer : A

106 : According to the five forces model, an unattractive industry would include all of the

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following characteristics EXCEPT:
A : low barriers to enter.
B : low supplier power due to commodity inputs.
C : high threat of substitute products due to a large number of low-cost alternatives.
D : high bargaining power of buyers due to low switching costs.

Correct Answer : B

107 : The competition between firms within a strategic group is:
A : greater than the competition a member of a strategic group and companies outside that strategic group.
B : less intense than the competition between strategic groups.
C : typically very low.
D : an unknown factor in the analysis of competitive practices within a firms strategic group.

Correct Answer : A

108 : Firms within strategic groups:
A : follow dissimilar strategies.
B : follow similar strategies across certain dimensions.
C : typically engage in greater intergroup rivalry than intragroup rivalry.
D : exist almost exclusively in the manufacturing sector.

Correct Answer : B

109 : All of the following are implications of strategic groups EXCEPT:
A : more intense rivalry leads to a greater threat to profitability.
B : the strength of the five forces is the same across strategic groups.
C : competitive rivalry within strategic groups is greater than between strategic groups.
D : the closer the strategic groups are in terms of strategies, the greater is the likelihood of rivalry.

Correct Answer : B

110 : Competitor analysis focuses on:
A : firms with which the company competes directly.
B : firms that produce products that are substitutes.
C : all firms in the industry.
D : companies that might enter the industry.

Correct Answer : A

111 : Which of the following pairs of companies would be LEAST likely to be examined together as part of competitor analysis?
A : Wendys and Taco Bell
B : Samsung and Apple
C : Netflix and Microsoft
D : Coca-Cola and PepsiCo

Correct Answer : C

112 : Competitor intelligence is:
A : legally or illegally gained data about competitors internal strategic processes and competitive decisions.
B : strategic information gained from industrial espionage targeting international competitors.
C : the set of data and information the firm gathers to better understand competitors objectives, strategies,

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assumptions, and capabilities.
D : illegal to gather under the Sarbanes-Oxley Act.

Correct Answer : C

113 : Once a firm has determined its competitors' future objectives, current strategy, assumptions, and strengths and weaknesses, its next step is to develop a(n):
A : environmental assessment.
B : marketing plan.
C : response profile.
D : task force to implement the plan.

Correct Answer : C

114 : A competitor analysis includes all of the following about competitors EXCEPT:
A : future objectives.
B : current strategy.
C : assumptions.
D : traditions.

Correct Answer : D

115 : Clarissa is a sales representative for a large pharmaceutical firm. While calling on one of her major clients, the purchasing director of a hospital, the client told her confidential information that a sales representative from a competing firm had passed on to him. The information completely contradicts Clarissa's firm's understanding of the competitor's business strategy and would allow Clarissa's employer to gain many of the competitor's clients. Which of the following ethical implications may result from this situation?
A : There is no ethical or legal concern here for Clarissa.
B : The ethical dilemma is not Clarissas but her clients, since he passed on confidential information to her voluntarily.
C : The ethical dilemma here is the right of competitors not to reveal certain information.
D : This is an example of ethical competitor intelligence obtained as eavesdropping.

Correct Answer : C

116 : All of the following are ethical sources of data for external analysis EXCEPT:
A : trade shows.
B : a competitors annual reports.
C : a competitors help-wanted advertisements.
D : a competitors confidential memos.

Correct Answer : D

117 : Competitor intelligence could ethically come from all of the following EXCEPT:
A : court records.
B : financial reports.
C : trade show discussions.
D : eavesdropping.

Correct Answer : D

118 : Which of the following represents a competitive intelligence practice that is both legal and

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ethical?
A : A firm hires a competitors employees and asks them to share the names and addresses of business contacts from their previous company.
B : An executive attends a trade show solely to obtain a competitors brochures, listen to sales pitches, and ask questions about the competitors products.
C : A city council member shares information about the decision process for selecting a contractor to build a new city council building with his wife, an executive with a construction firm bidding on the contract.
D : A marketing manager sells confidential plans for a companys expansion into the Far East to a firm that is not a direct competitor.

Correct Answer : B

119 : Which of the following intelligence-gathering techniques is MOST likely to be legal and ethical?
A : Hiring investigators to examine the competitors trash
B : Entering a competitors production plant without authorization
C : Redirecting a competitors emails to ones own company
D : Attending trade show presentations given by a competitors employees

Correct Answer : D

120 : The U.S. Hispanic market is the third largest "Latin American" economy behind Brazil and Mexico. This impacts the _____ aspect of demographic segment analysis.
A : age structure
B : geographic distribution
C : income distribution
D : ethnic mix

Correct Answer : D

121 : New Jersey and New York have the highest state taxes in the United States. They also have high rates of people moving out compared to people moving into the state. This impacts the _____ aspect of demographic analysis.
A : age structure
B : geographic distribution
C : income distribution
D : ethnic mix

Correct Answer : B

122 : What are capital requirements?
A : The benefits realized through incremental efficiency improvements
B : The costs customers incur when they switch to a new provider
C : The resources needed to invest in a new industry
D : The costs incurred by a firm when it changes distributors

Correct Answer : C

123 : The Department of Defense buys aircraft from U.S. companies for national security reasons. This is an example of a _____ barrier to entry.
A : cost disadvantages independent of scale
B : government policy
C : capital requirements

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D : product differentiation

Correct Answer : B

124 : After Amazon lowered the price on its tablets, Samsung eventually lowered the price on its tablets. Samsung needed to do this because:
A : it is in the same strategic group.
B : it is outside the strategic group.
C : of inter-strategic group competition.
D : of strategic distinctiveness.

Correct Answer : A

125 : Applications developed for iPhones make the phone more valuable to iPhone users. App developers are _____ to Apple.
A : suppliers
B : customers
C : competitors
D : complementors

Correct Answer : D

126 : Counterfeiting goods and exporting them from China is:
A : ethical and legal.
B : unethical but legal.
C : ethical but illegal.
D : unethical and illegal.

Correct Answer : D

ESSAY

127 : Explain why it is important for organizations to analyze and understand the external environment.

Correct Answer : Organizations do not exist in isolation. The external environment of the organization presents threats and opportunities which the organization must address in its strategic actions. Some aspects of the organization's external environment are changing rapidly, such as technology, and the organization must constantly adjust to these changes. The information that the organization gathers about competitors, customers, and stakeholders is used to build the organization's capabilities or to build relationships with stakeholders in the external environment. The information that the organization gathers about the external environment must be matched with its knowledge of its internal environment to form its vision, to develop its mission, and to take actions that result in strategic competitiveness and above-average returns.

128 : Identify and describe the three major parts of the external environment. What is the purpose for a firm to collect information about these aspects of its environment?

Correct Answer : The external environment has three major parts. The first is the general environment, which is composed of dimensions in the broader society that influence an industry

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and the firms within it. These environmental segments are demographic, economic, political/legal, sociocultural, technological, global, and sustainable physical. The second part of the external environment is the industry environment, which involves five factors that influence a firm, its competitive actions and responses, and the industry's profit potential. These five factors are: the threat of new entrants, the power of suppliers, the power of buyers, the threat of product substitutes, and the intensity of rivalry among competing firms. The competitor environment is the third part of the external environment. The firm must be able to predict competitors' actions, responses, and intentions. With the information collected about these aspects of its external environment, the firm can develop its vision, mission, and strategic actions.

129 : Describe and discuss the four activities of the external environmental analysis process.

Correct Answer : The external environmental analysis process includes four steps: scanning, monitoring, forecasting, and assessing. The scanning of the environment includes the study of all segments of the general environment in order to detect changes that may occur in the future or that already are occurring. This is critical in a volatile environment. Scanning often deals with ambiguous, incomplete, or unconnected data and information. When analysts monitor the environment, they observe environmental changes to see if an important trend is emerging from those spotted through scanning. It is critical for the firm to detect meaning in environmental events and trends so that it can be prepared to take advantage of opportunities these trends provide. Forecasting builds on scanning and monitoring to develop feasible projections of what might happen and how quickly it will occur. Forecasting is important in helping the firm adjust sales to meet demand. Finally, through assessing, the analyst determines the timing and the significance of the effects of environmental changes and trends on the strategic management of the firm. Assessment must specify the competitive relevance of the data.

130 : Describe the seven segments of the general environment.

Correct Answer : 1. The demographic segment encompasses factors such as population size, geographic distribution, age structure, ethnic mix, and income distribution.2. The economic segment involves the nature and direction of the economy in which a firm competes or may compete, domestic as well as global.3. The political/legal segment is the arena in which organizations and interest groups compete for attention, resources, and a voice in overseeing the body of laws and regulations guiding interactions among nations as well as between firms and various local governmental agencies.4. The sociocultural segment is concerned with a society's attitudes and cultural values.5. The technological segment includes the institutions and activities involved in creating new knowledge and transforming it into new outputs, products, processes, and materials.6. The global segment includes relevant new global markets, existing markets that are changing, important international political events, and critical cultural and institutional characteristics of global markets.7. The sustainable physical segment includes potential and actual changes in the physical environment (such as global warming) and business practices that are intended to positively respond to those changes (such as control of carbon emissions and other environmentally friendly actions) with the intent of creating a sustainable environment.

131 : Identify the five forces that underlie the five forces model of competition. Explain briefly how they affect industry profit potential.

Correct Answer : 1. Threat of new entrants: New entrants threaten existing firms' market share. They increase production capacity in an industry which results in lower profits for all firms, unless demand is increasing. The new entrant may force the existing firms to be more effective and efficient in production, and to compete on new dimensions.2. Bargaining power of

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suppliers: Suppliers with high power can increase prices and decrease the quality of their products sold to the firm. If firms are unable to pass along price increases to customers, their profits diminish.3. Bargaining power of buyers: When buyers (customers) have high power they can force prices down, and require increases in quality and service levels, thus driving profits down.4. Threat of substitute products: Substitutes perform the same or similar functions of the firm's product. The price of the substitute places an upper limit on prices firms can charge for the original product, limiting industry profits.5. Intensity of rivalry among competitors affects the firm's ability to make a profit as competitors' actions challenge the firm or competitors try to improve their market position. Increasing rivalry reduces the ability of weaker firms to survive.

132 : Identify the factors that raise the competitive nature of an industry's rivalry.

Correct Answer : The competitive rivalry in an industry can be based on price, product quality, and product innovation in an attempt to differentiate the firm's product from its rivals' products. The factors that can increase competitive rivalry include:1. Numerous or equally balanced competitors2. Slow industry growth3. High fixed costs or high storage costs4. Lack of differentiation or low switching costs 5. High strategic stakes6. High exit barriers

133 : What are high exit barriers, and how do they affect the competition within an industry?

Correct Answer : Exit barriers are economic, strategic, and emotional factors causing companies to remain in an industry, even though the profitability of doing so is in question. The following are common sources of exit barriers:1. Specialized assets which cannot be used in another business or location2. Fixed costs of exit, such as labor agreements which penalize a firm for ceasing operation3. Strategic interrelationships or mutual dependence of business units wherein one business of a corporation serves another corporate business4. Emotional barriers that cause owners to be sentimentally attached to the business or to their own role in it5. Government and social restrictions that prevent a firm from closing, often in order to prevent the loss of jobs in a country or community

134 : What is a firm's strategic group? What effect does the strategic group have on the firm?

Correct Answer : The firm's strategic group is the set of firms that emphasize similar strategic dimensions and use a similar strategy. The firms in a strategic group occupy similar positions in the market, offer similar goods to similar customers, and may make similar decisions about production technology and organizational features. Competition among firms within a strategic group is more intense than the competition among a firm and those firms outside its strategic group. Actions of members in the firm's strategic group affect its strategic decisions in many areas, including pricing, product quality, and distribution.

135 : What do firms need to know about their competitors? What legal and ethical intelligence-gathering techniques can be used to obtain this information?

Correct Answer : Competitor analysis helps firms identify:1. What drives the competitor by understanding the competitor's future objectives2. What the competitor is doing and is capable of doing by understanding the competitor's current strategy3. What the competitor believes about the industry by understanding the assumptions made by the competitor4. What the competitor's capabilities are by understanding the competitor's strengths and weaknessesFirms can legally and ethically gather public information, such as annual reports, SEC reports, UCC filings, court records, and advertisements. Firms can also attend trade fairs to obtain competitors' brochures, view exhibits, and discuss products. These data combine to form competitive intelligence.

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136 : Once an industry analysis is completed, how can a firm use it to determine whether or not an industry is attractive?

Correct Answer : Analysis of the five forces within a given industry allows the firm to determine the industry's attractiveness in terms of the potential to earn average or above-average returns. In general, the stronger the competitive forces, the lower the potential for firms to generate profits by implementing their strategies. An unattractive industry has low entry barriers, suppliers and buyers with strong bargaining positions, strong competitive threats from product substitutes, and intense rivalry among competitors. These industry characteristics make it difficult for firms to achieve strategic competitiveness and earn above-average returns. Alternatively, an attractive industry has high entry barriers, suppliers and buyers with little bargaining power, few competitive threats from product substitutes, and relatively moderate rivalry.

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