Test Bank for Mastering Strategic Management v4 1st Ketchen

Chapter 1
Mastering Strategy: Art and Science

True/False Questions

1. Strategy is a complex concept that involves many different processes and activities within an organization.
ANS: T DIF: Easy

2. Developing a viable business model requires that a firm sell goods or services for more than it costs the firm to create and distribute those goods.
ANS: T DIF: Easy

3. One important aspect of a business model is providing customers with a good or service more cheaply than they can create it themselves.
ANS: T DIF: Easy

4. For a small firm, licensing technology to larger firms provides a second income stream and decreases the chances of imitation.
ANS: T DIF: Easy

5. A firm is bound to fail if it maintains flexibility in formulating strategies.
ANS: F DIF: Easy

6. Unexpected twists and turns in the external as well as the internal environment place limits on the value of strategic planning.
ANS: T DIF: Easy

7. All firms benefit equally in substantial performance improvements created by planning.
ANS: F DIF: Easy

8. Strategic ploys can be especially beneficial when facing much stronger opponents.
ANS: T DIF: Easy

9. Most strategic ploys are illegal.
ANS: F DIF: Easy

10. Viewing strategy as position involves only the actions of a single firm.
ANS: F DIF: Easy

11. Deciding what a firm is not going to do is just as important to strategy as deciding what it is going to do.
ANS: T DIF: Easy

12. Intended strategies are usually described in detail within an organization's strategic plan.
ANS: T DIF: Easy

13. Realized strategies are a product of a firm's intended strategy, deliberate strategy, and emergent strategy.
ANS: T DIF: Easy

14. The demands of strategic management are simple enough to be handled alone by the chief executive officer.
ANS: F DIF: Easy

15. The idea of "stratego," from which the word strategy is derived, refers to the idea of defeating an enemy by effectively using resources.
ANS: T DIF: Easy

16. Sometimes good strategies simply cannot overcome a stronger adversary.
ANS: T DIF: Easy

17. Executives who make assumptions about what an adversary can and cannot do put their organization's performance in jeopardy.
ANS: T DIF: Easy

18. The history of strategic management can be traced back several thousand years.
ANS: T DIF: Easy

19. The book, "The Principles of Scientific Management," was a response to Taylor's observation that most tasks within organizations were organized in a haphazard way.
ANS: T DIF: Easy

20. Strategic management is a process that involves building a careful understanding of how changes in the world might affect a particular firm.
ANS: T DIF: Easy

21. Strategic management is neither an art nor a science.
ANS: F DIF: Easy

22. Strategic management involves a single conceptualization of the concept of strategy drawn from recent history.
ANS: F DIF: Easy

23. Trends and events of the external environment seldom affect the overall state of an organization.
ANS: F DIF: Easy

24. Firms must evaluate their own resources to understand how they might react to changes in the environment.
ANS: T DIF: Easy

25. Strategy formulation involves developing specific strategies and actions.
ANS: T DIF: Easy

26. Strategy implementation entails crafting an effective organizational structure and corporate culture.
ANS: T DIF: Easy

27. There is only one single established method of conceptualizing the concept of strategy.

ANS: F DIF: Easy

28. The study of strategic management involves knowing how and when to apply creative thinking.
ANS: T DIF: Easy

Multiple Choice Questions

29. _____ examines how actions and events involving top executives, firms, and industries influence a firm's success or failure.
    a. Managerial forecasting
    b. Impact analysis
    c. Strategic management
    d. Trend analysis
    e. Performance appraisal

    ANS: C DIF: Moderate

30. A viable business model requires that a firm
    a. sell goods or services at the same cost the firm needs to create and distribute those goods.
    b. sell goods or services without paying any attention to the costs that the firm has to bear in order to create and distribute those goods.
    c. give away goods or services for free in order to attract more and more customers.
    d. sell goods or services for more than it costs the firm to create and distribute those goods.
    e. sell goods or services for less than it costs the firm to create and distribute those goods.

    ANS: D DIF: Moderate

31. A strategic _____ is a carefully crafted set of steps that a firm intends to follow in order to be successful.
    a. pattern
    b. perspective
    c. ploy
    d. plan
    e. position

    ANS: d DIF: Moderate

32. A company that manufactures soaps could not sell its products despite spending a good amount on advertisements. Therefore, management decided to use the concept of direct marketing. They thought of appointing a large number of salespersons who would do door-to-door selling of the product. This is an example of a strategic:
    a. ploy
    b. plan
    c. position
    d. pattern
    e. perspective

    ANS: B DIF: Moderate

33. Economies of _____ refer to a cost advantage that is created when a firm can produce a

good or service at a lower per unit price due to producing the good or service in large quantities.
a. scale
b. demand
c. scope
d. brand
e. integration
ANS: A DIF: Moderate

34. Myshirts.com, a company that manufactures shirts, buys large batches of dressing material from a supplier. The supplier charges them less than what Myshirts.com would have had to pay if it had purchased the material from different sources. As a consequence, the cost of manufacturing each shirt at Myshirts.com is lower than at other manufacturers. This is an example of economies of:
a. scale
b. demand
c. scope
d. brand
e. integration
ANS: A DIF: Moderate

35. A strategic _____ is a specific move designed to outwit or trick competitors.
a. pattern
b. perspective
c. ploy
d. plan
e. position
ANS: C DIF: Moderate

36. A coffee chain was losing its customers to its competitors and wanted to increase its sales. Therefore, it started offering complimentary pastries with every cup of coffee to outwit its competitors. Soon, the company registered an increase in its sales. This is an example of a strategic:
a. ploy
b. plan
c. position
d. pattern
e. perspective
ANS: A DIF: Moderate

37. Strategy as _____ refers to a firm's place in the industry relative to its competitors.
a. pattern
b. perspective
c. ploy
d. plan
e. position
ANS: E DIF: Moderate

38. A company that manufactures cars aims to sell them to customers in the premium market segment. This is an example of strategy as:

a. ploy
b. plan
c. position
d. pattern
e. perspective
ANS: C DIF: Moderate

39. Strategy as _____ focuses on the extent to which a firm's actions over time are consistent.
a. pattern
b. perspective
c. ploy
d. plan
e. position
ANS: A DIF: Moderate

40. A department store consistently keeps low prices, and this strategy helps the store to attract many customers. This is an example of a strategic:
a. ploy
b. plan
c. position
d. pattern
e. perspective
ANS: D DIF: Moderate

41. Strategy as _____ refers to how executives interpret the competitive landscape around them.
a. pattern
b. perspective
c. ploy
d. plan
e. position
ANS: B DIF: Moderate

42. Dormer is the only fine dining restaurant in a small town. The opening of a new restaurant is viewed as a threat by some of the employees at Dormer. Others see it as an opportunity for Dormer to strengthen itself by looking out for its weaknesses and ironing them out. This is an example of strategy as:
a. ploy
b. plan
c. position
d. pattern
e. perspective
ANS: E DIF: Moderate

43. A(n) _____ strategy is the strategy that an organization hopes to execute.
a. emergent
b. marked
c. pre-termed
d. intended

e. realized
ANS: D DIF: Moderate

44. A pizza shop plans to deliver pizzas to households. The delivery would be made without any extra charge. It hopes to execute this strategy in the suburbs. This is an example of a(n) _____ strategy.
a. marked
b. pre-termed
c. intended
d. realized
e. emergent
ANS: C DIF: Moderate

45. A(n) _____ strategy is an unplanned strategy that arises in response to unexpected opportunities and challenges.
a. emergent
b. marked
c. pre-termed
d. intended
e. realized
ANS: A DIF: Moderate

46. Roomz, a mid-range hotel, used to provide only food and accommodation facilities. It soon realized that most of its customers are foreign tourists who constantly ask for directions and advice on places to visit. The hotel then decided to start a travel desk which would help tourists select and visit places of historical and cultural significance. This is an example of a(n) _____ strategy.
a. marked
b. pre-termed
c. intended
d. realized
e. emergent
ANS: E DIF: Moderate

47. A(n) _____ strategy is the strategy that an organization actually follows.
a. established
b. marked
c. pre-termed
d. arranged
e. realized
ANS: E DIF: Moderate

48. Pizzas at Home, a pizza shop, plans to deliver pizzas to households. Deliveries would be made without any extra charge. Soon, Pizzas at Home realizes it must start charging a nominal fee for delivery. Many other pizzerias start following the same strategy. Pizzas at Home then starts offering free pizzas if they are not delivered within 30 minutes of the order placement. The strategy followed by Pizzas at Home is an example of a(n) _____ strategy.
a. marked
b. pre-termed

c. established
d. realized
e. arranged
ANS: D DIF: Moderate

49. A _____ strategy is the part of the intended strategy that an organization continues to pursue over time.
a. marked
b. deliberate
c. make over
d. non-realized
e. pre-termed
ANS: B DIF: Moderate

50. Quattro is a pizza shop that delivers pizzas without any extra charge. It also refunds the entire amount of the order when the pizza was not delivered within 30 minutes from the order placement. After two years it stopped this policy, but it still delivers pizzas without any extra charge. The fact that it continues to deliver pizzas to households without any extra charge is an example of a _____ strategy.
a. make over
b. non-realized
c. marked
d. deliberate
e. pre-termed
ANS: D DIF: Moderate

51. A _____ strategy refers to the part of the intended strategy that are abandoned.
a. marked
b. deliberate
c. make over
d. non-realized
e. pre-termed
ANS: D DIF: Moderate

52. Quattro is a pizza shop that delivers pizzas without any extra charge. It also refunds the entire amount of the order when the pizza was not delivered within 30 minutes from the order placement. After two years it stopped this policy, but it still delivers pizzas without any extra charge. The fact that it stopped the policy of refunds in case of a delay of more than 30 minutes is an example of a _____ strategy.
a. make over
b. non-realized
c. marked
d. deliberate
e. pre-termed
ANS: B DIF: Moderate

53. _____ involves an organization granting the right to use its brand name, products, and processes to other organizations in exchange for an upfront payment and a percentage of revenues generated by the other organizations.
a. Differentiation

b. Positioning
c. Brand essence
d. Franchising
e. Comparative scaling
ANS: D DIF: Moderate

54. _____ published a book titled *The Principles of Scientific Management*.
a. Michael Porter
b. Frederick W. Taylor
c. Niccolò Machiavelli
d. Thomas Friedman
e. Alfred Chandler
ANS: B DIF: Easy

55. The book *The Principles of Scientific Management*
a. stressed how strategy and organizational structure need to be consistent with each other in order to ensure strong firm performance.
b. offered concepts such as Five Forces Analysis and Generic Strategies that continue to strongly influence how executives choose strategies.
c. stressed how organizations could become more efficient through identifying the "one best way" of performing important tasks.
d. argued that many of the advantages that firms in developed countries like the United States, Japan, and Great Britain take for granted are disappearing.
e. emphasized student's critical thinking skills in general and the notion that multiple ways of addressing a problem could be equally successful in particular.
ANS: C DIF: Moderate

56. A clothing line company has a number of outlets which are owned and managed by private individuals. These outlets are allowed to use the brand name and products of the clothing line after paying a fee to the clothing line company. They also pay a part of their revenue to the clothing line. This is an example of:
a. franchising
b. exporting
c. differentiation
d. retail expansion
e. brand dilution
ANS: A DIF: Moderate

57. A _____ is an organization which grants the right to use its brand name, products, and processes to other organizations.
a. legatee
b. franchisee
c. bailee
d. bailer
e. franchisor
ANS: E DIF: Moderate

58. Marty's, a clothing company, has a number of outlets that are owned and managed by private individuals. These outlets are allowed to use the brand name and products of the clothing line after paying a fee to Marty's. They also pay a part of their revenues to

Marty's. Marty's is an example of a:
a. franchisee
b. bailee
c. franchisor
d. bailer
e. legatee
ANS: C DIF: Moderate

59. An organization which gets the right to use another organization's brand name, products, and processes is referred to as a:
a. legatee
b. franchisee
c. bailee
d. bailer
e. franchisor
ANS: B DIF: Moderate

60. Marty's, a clothing company, has a number of outlets which are owned and managed by private individuals. These outlets are allowed to use the brand name and products of Marty's after paying a fee to the company. They also pay a part of their revenues to Marty's. Each of these outlets is a:
a. franchisee
b. bailee
c. franchisor
d. bailer
e. legatee
ANS: A DIF: Moderate

61. A(n) _____ fee refers to the upfront fee paid by an organization which gets the right to use another organization's brand name, products, and processes.
a. royalty
b. establishment
c. acceptance
d. acknowledgement
e. franchise
ANS: E DIF: Moderate

62. Marty's, a clothing company, has a number of outlets that are owned and managed by private individuals. These outlets are allowed to use the brand name and products of Marty's after paying a fee to the company. They also pay a part of their revenues to Marty's. The upfront payment these outlets make to Marty's for using the Marty's brand name is referred to as a(n):
a. acceptance fee
b. acknowledgement fee
c. franchise fee
d. royalty fee
e. establishment fee
ANS: C DIF: Moderate

63. A(n) _____ fee refers to the percentage of franchisees' revenues paid to an organization

which has granted the right to use its brand name, products, and processes.
a. royalty
b. establishment
c. acceptance
d. acknowledgement
e. franchise
ANS: A DIF: Moderate

64. Marty's, a clothing company, has a number of outlets which are owned and managed by private individuals. These outlets are allowed to use the brand name and products of Marty's after paying a fee to the company. They also pay a part of their revenues to the clothing line. The part of the revenues paid by the outlets to Marty's is referred to as a(n):
a. acceptance fee
b. acknowledgement fee
c. franchise fee
d. royalty fee
e. establishment fee
ANS: D DIF: Moderate

65. Alfred Chandler's book focused on:
a. the SWOT analysis
b. the principles of scientific management
c. the Five Forces Analysis
d. international competition and the flat world
e. strategy and structure
ANS: E DIF: Easy

66. Which of the following statements holds true for the book *Strategy and Structure: Chapters in the History of the Industrial Enterprise*?
a. It stressed how strategy and organizational structure need to be consistent with each other in order to ensure strong firm performance.
b. It offered concepts such as Five Forces Analysis and Generic Strategies that continue to strongly influence how executives choose strategies.
c. It stressed how organizations could become more efficient through identifying the "one best way" of performing important tasks.
d. It argued that many of the advantages that firms in developed countries like the United States, Japan, and Great Britain take for granted are disappearing.
e. It emphasized student's critical thinking skills in general and the notion that multiple ways of addressing a problem could be equally successful in particular.
ANS: A DIF: Moderate

67. Which two pivotal events that took place in 1980 led to the establishment of strategic management as a field of study?
a. the publication of the books, *The World is Flat: A Brief History of the Twenty-First Century* and *Strategy and Structure: Chapters in the History of the Industrial Enterprise.*
b. the creation of the New England Journal and the publication of *The World is Flat: A Brief History of the Twenty-First Century.*
c. the publication of *The Principles of Scientific Management* and the "capstone" course recommended by The Ford Foundation.

d. the creation of the Strategic Management Journal and the publication of *Competitive Strategy: Techniques for Analyzing Industries and Competitors.*
e. the publication of *Strategy and Structure: Chapters in the History of the Industrial Enterprise* and the release of The Ford Foundation report recommending the "capstone" course.

ANS: D DIF: Moderate

68. Which of the following statements holds true for the book, *Competitive Strategy: Techniques for Analyzing Industries and Competitors*?
a. It stressed how strategy and organizational structure need to be consistent with each other in order to ensure strong firm performance.
b. It offered concepts such as Five Forces Analysis and Generic Strategies that continue to strongly influence how executives choose strategies.
c. It stressed how organizations could become more efficient through identifying the "one best way" of performing important tasks.
d. It argued that many of the advantages that firms in developed countries like the United States, Japan, and Great Britain take for granted are disappearing.
e. It emphasized student's critical thinking skills in general and the notion that multiple ways of addressing a problem could be equally successful.

ANS: B DIF: Moderate

69. Which of the following statements holds true for the book *The World is Flat: A Brief History of the Twenty-First Century*?
a. It stressed how strategy and organizational structure need to be consistent with each other in order to ensure strong firm performance.
b. It offered concepts such as Five Forces Analysis and Generic Strategies that continue to strongly influence how executives choose strategies.
c. It stressed how organizations could become more efficient through identifying the "one best way" of performing important tasks.
d. It argued that many of the advantages that firms in developed countries like the United States, Japan, and Great Britain take for granted are disappearing.
e. It emphasized student's critical thinking skills in general and the notion that multiple ways of addressing a problem could be equally successful.

ANS: D DIF: Moderate

70. Which of the following statements holds true for the "capstone" course recommended by The Ford Foundation?
a. It stressed how strategy and organizational structure need to be consistent with each other in order to ensure strong firm performance.
b. It offered concepts such as Five Forces Analysis and Generic Strategies that continue to strongly influence how executives choose strategies.
c. It stressed how organizations could become more efficient through identifying the "one best way" of performing important tasks.
d. It argued that many of the advantages that firms in developed countries like the United States, Japan, and Great Britain take for granted are disappearing.
e. It emphasized student's critical thinking skills in general and the notion that multiple ways of addressing a problem could be equally successful.

ANS: E DIF: Moderate

71. Who wrote the book, *The World is Flat: A Brief History of the Twenty-First Century?*

a. Michael Porter
b. Frederick W. Taylor
c. Niccolò Machiavelli
d. Thomas Friedman
e. Alfred Chandler
ANS: D DIF: Easy

71. The key question examined by strategic management is:
a. Why do some companies outperform other companies?
b. When is the correct time to introduce new products?
c. How much input should all levels of management have in the company's strategic plan?
d. When to create new products vs. expanding existing product lines?
e. What type of management style creates strategic advantage?
ANS: A DIF: Moderate

72. The integral part to a company's strategic plan that describes the process through which a company hopes to earn profits is the:
a. income growth strategy
b. business model
c. profit margin analysis
d. economic process model
e. environmental impact study
ANS: B DIF: Moderate

73. In 1895, cereal tycoon C.W. Post started offering a cereal-based drink called Postum. Part of Postum's initial marketing strategy involved ads that promoted the nutritional benefits of Postum while raising concerns about the health effects of coffee. This type of advertising is an example of a strategic:
a. plan
b. purpose
c. position
d. perspective
e. ploy
ANS: E DIF: Moderate

74. An example of strategic ______ is the corporate ownership and management of General Motors brands Chevrolet (entry-level), Buick (mid-level) and Cadillac (upscale) that represent three different price points and markets within the vehicle industry.
a. pricing
b. planning
c. perspective
d. positioning
e! None of the above is true.
ANS: D DIF: Moderate

75. Strategic management is described as being part science and part:
a. accounting

b. art
c. philosophy
d. history
e. ethics
ANS: B DIF: Moderate

76. What is the name of Sun Tzu's best-known work, which is still studied by business and military leaders today?
a. *War: A Study of Strategy*
b. *Deceptive Aspects of Strategy*
c. *Success Without the Struggle*
d. *The Art of War*
e. *The Lotus Flower of Strategy*
ANS: D DIF: Moderate

77. The Hebrews leaving Egypt, the Greek soldiers inside of the Trojan Horse, and King Arthur's famous round table are all examples of:
a. historical fables
b. failed leadership
c. modern strategic planning
d. strategy in ancient times
e. militant strategy
ANS: D DIF: Easy

78. The strategic management process begins with an understanding of strategy and:
a. timing
b. purpose
c. success
d. society
e. performance
ANS: E DIF: Moderate

79. Which of the following is *not* one of the 5 Ps of strategy according to Henry Mintzberg?
a. plan
b. ploy
c. perspective
d. performance
e. position

ANS: D DIF: Easy

80. What is the primary focus of strategic management?
a. understanding customer service techniques
b. analyzing internal financial statements
c. improving human resource policies

d. understanding how top executives, firms, and industries influence success or failure
e. optimizing production workflows

ANS: D DIF: Easy

81. In strategic management, what does the “strategy as pattern” perspective emphasize?
    a. creating a marketing plan
    b. changing leadership structure
    c. consistency in company actions over time
    d. increasing profit margins quickly
    e. launching new products regularly

    ANS: B DIF: Moderate

82. What term describes a specific move designed to outwit or trick competitors?
    a. strategic pattern
    b. strategic ploy
    c. emergent strategy
    d. strategic shift
    e. business tactic

    ANS: C DIF: Moderate

83. Which strategic concept is best exemplified by Apple’s consistent response to competition through innovation?
    a. strategy as a ploy
    b. strategy as a perspective
    c. strategy as a pattern
    d. strategy as a position
    e. strategy as a plan

    ANS: C DIF: Moderate

84. Strategy as a “plan” s most closely related to which of the following?
    a. tactical surprise
    b. a carefully crafted set of steps for success
    c. legal compliance
    d. advertising techniques
    e. corporate culture

ANS: B DIF: Easy

85. What role does a business model play in a strategic plan?
    a. defines the company's stock value
    b. details employee compensation
    c. explains how the company will earn profits
    d. provides a marketing strategy only
    e. describes the supply chain steps

ANS: C DIF: Moderate

86. Which of the following is true about economies of scale?
    a. They reduce product quality.
    b. They apply only to service businesses.
    c. They increase per-unit costs.
    d. They reduce costs through large-scale production.
    e. They eliminate competition.

ANS: D DIF: Easy

87. Which company action best illustrates a strategy as "position"?
    a. hiring a new CEO
    b. changing logo and slogan
    c. positioning itself as a low-cost airline compared to competitors
    d. reducing factory waste
    e. offering staff bonuses

ANS: C DIF: Moderate

88. Which strategy type focuses on how executives view and interpret their competitive environment?
    a. strategy as plan
    b. strategy as pattern
    c. strategy as ploy
    d. strategy as position
    e. strategy as perspective

ANS: E DIF: Difficult

89. What strategic lesson does the example of Moses delegating authority offer?
    a. Effective organizational structure aids strategy implementation.
    b. Leaders should work alone.

c. Strategies must avoid hierarchy.
d. Centralization is always best.
e. External consultants solve strategic issues.

ANS: A DIF: Easy

90. Why did Kmart's shifting strategies ultimately lead to failure?
a. overinvestment in advertising
b. lack of a consistent strategic pattern
c. poor store locations
d. employee turnover
e. government regulations

ANS: B DIF: Moderate

91. Which failed strategic move by FedEx is an example of an emergent strategy gone wrong?
a. rebranding campaign
b. merging with UPS
c. switching to drone deliveries
d. launching ZapMail
e. entering the retail grocery market

ANS: D DIF: Difficult

92. Which of these is a deliberate strategy?
a. one that is completely unplanned
b. a part of the intended strategy that continues over time
c. a reaction to a competitor's success
d. a non-realized tactic
e. an accidental innovation

ANS: B DIF: Easy

93. Which of the following strategies involves responding to opportunities and challenges as they arise?
a. deliberate strategy
b. emergent strategy
c. non-realized strategy
d. position strategy
e. pattern strategy

ANS: B DIF: Easy

94. What is the realized strategy of a company?
    a. its most recent marketing plan
    b. only the parts of the strategy that succeeded
    c. the combination of intended, deliberate, and emergent strategies actually followed
    d. its vision and mission
    e. strategies abandoned over time

    ANS: C DIF: Difficult

95. Which of these is a deliberate strategy?
    a. a completely unplanned one
    b. a part of the intended strategy that continues over time
    c. a reaction to a competitor's success
    d. a non-realized tactic
    e. an accidental innovation

    ANS: B DIF: Easy

96. Which strategy perspective helps explain Jeff Bezos's early decision to use the internet to sell books?
    a. strategy as pattern
    b. strategy as plan
    c. strategy as perspective
    d. strategy as ploy
    e. strategy as diversification

    ANS: C DIF: Moderate

97. A business that consistently fails to adjust its strategy in response to new threats likely lacks which strategic component?
    a. strategic position
    b. strategic ploy
    c. strategic resources
    d. emergent strategy
    e. strategic logic

    ANS: D DIF: Difficult

98. Which strategic concept involves dropping parts of a plan that no longer work?
    a. emergent strategy

b. realized strategy
c. perspective strategy
d. non-realized strategy
e. growth strategy

ANS: D DIF: Difficult

99. What is a key drawback of adhering too closely to a consistent strategic pattern?
    a. It prevents branding.
    b. It reduces customer loyalty.
    c. It increases innovation risk.
    d. It makes the firm predictable to competitors.
    e. It encourages constant change.

    ANS: D DIF: Moderate

Completion

100. Professor Minztberg articulated the “5Ps” of strategy. These are: ________, ________, ________, ________, and ________.
ANS: plan, ploy, pattern, position, perspective
DIF: Medium

101. A _________is the strategy that an organization actually follows.
ANS: realized strategy
DIF: Easy

102. A ______________ should be a central element of a company’s strategic plan.
ANS: Business model
DIF: Moderate

103. A cost advantage created when a company can produce a good or service at a lower per unit price due to producing the good or service in large quantities is known as _______.
ANS: economies of scale
DIF: Moderate

104. Strategic management is a process that requires the ability to manage ________.
ANS: change
DIF: Easy

105. A business model describes the process through which a company hopes to earn ____ .
ANS: profits

DIF: Easy

106. The Greek word *strategos* means "army leader" and the idea of *stratego* (from which we get the word *strategy*) refers to defeating an enemy by effectively using ________.
ANS: resources
DIF: Easy

Essay Questions

107. What is a business model?
ANS: A business model should be a central element of a firm's strategic plan. Simply stated, a business model describes the process through which a firm hopes to earn profits. Developing a viable business model requires that a firm sell goods or services for more than it costs the firm to create and distribute those goods. A more subtle, but equally important, aspect of a business model is providing customers with a good or service more cheaply than they can create it themselves.
DIF: Moderate

108. Explain the concept of economies of scale. Give an example.
ANS: Students' examples may vary.
Some firms buy their ingredients in massive quantities and therefore pay far less for these items than any family could. This advantage is referred to as economies of scale. Papa John's and Domino's have developed specialized kitchen equipment that allows them to produce better-tasting pizza than can be created using the basic ovens that most families rely on for cooking. Pizza restaurants thus can make better-tasting pizzas for far less cost than a family can make itself. This business model provides healthy margins and has enabled Papa John's and Domino's to become massive firms.
DIF: Difficult

109. Explain the concept of strategy as perspective.
ANS: Strategy as perspective shifts the focus inside the minds of the executives running a firm. Strategy as perspective refers to how executives interpret the competitive landscape around them. Because each person is unique, two different executives could look at the same event—such as a new competitor emerging—and attach very different meanings to it. One might just see a new threat to his or her firm's sales; the other might view the newcomer as a potential ally.
DIF: Difficult

110. What is an intended strategy?
ANS: An intended strategy is the strategy that an organization hopes to execute. Intended strategies are usually described in detail within an organization's strategic plan. As an undergraduate student at Yale in 1965, Frederick Smith described a delivery system that would gain efficiency by routing packages through a central hub and then pass them to their destinations. A few years later, Smith started Federal Express (FedEx), a company whose strategy closely followed the plan laid out in his class project. As of 2017, FedEx ranked eleventh among the World's Most Admired Companies, according to *Fortune* magazine.

Certainly, Smith's intended strategy has worked out far better than even he could have dreamed.
DIF: Moderate

111. What is a realized strategy?
ANS: A realized strategy is the strategy that an organization actually follows. Realized strategies are a product of a firm's intended strategy (i.e., what the firm planned to do), the firm's deliberate strategy (i.e., the parts of the intended strategy that the firm continues to pursue over time), and its emergent strategy (i.e., what the firm did in reaction to unexpected opportunities and challenges). In the case of FedEx, the intended strategy devised by its founder many years ago—fast package delivery via a centralized hub—remains a primary driver of the firm's realized strategy.
DIF: Moderate

112. What is a non-realized strategy? Give an example of a non-realized strategy.
ANS: Students' examples may vary.
A non-realized strategy refers to the parts of the intended strategy that are abandoned. When aspiring author David McConnell was struggling to sell his books, he decided to offer complimentary perfume as a sales gimmick. McConnell's books never did escape the stench of failure, but his perfumes soon took on the sweet smell of success. The California Perfume Company was formed to market the perfumes; this firm evolved into the personal care products juggernaut known today as Avon. For McConnell, his dream to be a successful writer was a non-realized strategy, but through Avon, a successful realized strategy was driven almost entirely by opportunistically capitalizing on change through emergent strategy.
DIF: Difficult

113. Explain Sun Tzu's idea that winning a battle without fighting is the best way to win with an example.
ANS: Students' examples may vary.
One of Sun Tzu's ideas that has numerous business applications is that winning a battle without fighting is the best way to win. Apple's behavior in the personal computer business offers a good example of this idea in action. Many computer makers such as Toshiba, Acer, and Lenovo compete with each other based primarily on price. This leads to price wars that undermine the computer makers' profits. In contrast, Apple prefers to develop unique features for its notebook computers; features that have created a fiercely loyal set of customers. Apple boldly charges far more for its computers than its rivals charge for theirs. Apple does not worry much about whether its computers' software is compatible with the software used by most other computers. Rather than fighting a battle with other firms, Apple wins within the computer business by creating its own unique market and by attracting a set of very loyal customers. Sun Tzu would probably admire Apple's approach.
DIF: Difficult

114. Explain Taylor's principles of scientific management.
ANS: In 1911, Taylor published a book titled *The Principles of Scientific Management*. The book was a response to Taylor's observation that most tasks within organizations were organized in a haphazard way. Taylor believed that businesses would be much more efficient if principles for management were derived through scientific investigation. In *The Principles of Scientific Management*, Taylor stressed how organizations could become more efficient through identifying the "one best way" of performing important tasks. Implementing Taylor's principles was thought to have saved railroad companies hundreds of millions of dollars.

Although many later works disputed the merits of trying to find the "one best way," Taylor's emphasis on maximizing organizational performance became the core concern of strategic management as the field developed.
DIF: Difficult

115. What is the "capstone" course as recommended by The Ford Foundation?
ANS: A widely circulated report created by The Ford Foundation recommended that all business schools offer a "capstone" course. The goal of this course would be to integrate knowledge across different business fields such as marketing, finance, and accounting in order to help students devise better ideas for addressing complex business problems. Rather than seeking a "one best way" solution as advocated by Taylor and Harvard's business policy course, this capstone course would emphasize students' critical thinking skills in general and the notion that multiple ways of addressing a problem could be equally successful in particular. The Ford Foundation report was a key motivator that led U.S. universities to create strategic management courses in their undergraduate and MBA programs.
DIF: Moderate

116. What is environmental and internal scanning?
ANS: The strategic management process begins with an understanding of strategy and performance. Environmental and internal scanning is the next stage of the strategic management process. Managers must constantly scan the external environment for trends and events that affect the overall economy, and they must also monitor changes in the particular industry in which the firm operates. For example, Apple's decision to create the iPhone demonstrates its ability to interpret that traditional industry boundaries that distinguished the cellular phone industry and the computer industry were beginning to blur. At the same time, firms must evaluate their own resources to understand how they might react to changes in the environment. For example, intellectual property is a vital resource for Tesla. During 2017's Hurricane Irma, Tesla executives decided to unlock extra battery capacity to allow Tesla drivers to have the range needed to reach safety. Although the software that allows the greater range is a trade secret and it normally costs drivers thousands of dollars to engage, Tesla reacted to a crisis by forgoing profits and protecting their customers' well being.
DIF: Moderate

117. Explain how strategy in ancient times can provide lessons to businesses today.
ANS: Great wisdom about strategy can be gained from understanding history and avoiding the strategic mistakes of the past. Look for examples such as Moses's command structure that enabled strategic delegation, Sun Tzu's idea "to win without fighting is best" from *The Art of War*, the classic Greek ploy of a "gift" horse filled with soldiers to attack a heavily guarded city, or King Arthur's famous round table to promote equality and their centralized mission to guide organizational actions as a group. The idea is for students to realize that strategy is not a new concept that is only evidenced in modern times.
DIF: Moderate

118. Considering the concept of strategy as a position, give an example of how companies position distinct brands based on pricing.
ANS: Strategy as position considers a company and its competitors rather than the actions of a single company. When considering positioning based on pricing, it's important to look at an industry with entry level, midlevel, and top tier aspects to the business. Look for examples such as Old Navy, Gap, and Banana Republic and their pricing positioning within the Gap Inc Corporation or the similar positioning of different brands (Chevrolet, Buick, and Cadillac)

under General Motors. Both examples show how positioning brands based on price points targets different consumers within the same industry allows companies to expand their overall market share.
DIF: Moderate

119. Discuss the concept of “strategy as a pattern” using Apple as an example. What are the potential benefits and risks associated with a consistent strategic pattern, as described in the text?

ANS: Strategy as a pattern refers to the degree of consistency in a firm's strategic actions over time. The text highlights Apple as a strong example of a company with a consistent strategic pattern: it consistently responds to competitive challenges by innovating. This pattern has led to Apple's excellent overall performance, as enough of its innovations are successful to offset those that are not. For instance, despite some "busts" like the Newton, Pippin, and Apple TV, Apple's consistent focus on innovation has allowed it to thrive.

The potential benefits of having a consistent strategic pattern, as exemplified by Apple, include building a strong brand identity and a fiercely loyal customer base. When a company consistently acts in a certain way, it becomes predictable to its customers in a positive sense, reinforcing their trust and loyalty. This can also allow the company to develop deep expertise in its chosen strategic direction. For Apple, this consistent pattern of innovation has allowed them to charge premium prices and create their own unique market.

However, the text also notes a significant risk associated with following a pattern too closely: it can make a company predictable. While predictability can be beneficial for customer loyalty, it can also leave a company vulnerable if competitors anticipate and counter its moves, or if the market shifts in a way that renders the established pattern obsolete. Apple, for example, "must guard against" becoming too predictable in the years ahead. This implies that even a successful pattern needs to be carefully managed and potentially adapted to avoid becoming a liability in a rapidly changing competitive landscape.