TT TEXTBOOK TESTBANKS

Test Bank for Strategic Management Creating Competitive Advantages 11th Dess

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CORRECT ANSWERS ARE LOCATED IN THE 2ND HALF OF THIS DOC.

TRUE/FALSE - Write 'T' if the statement is true and 'F' if the statement is false.

1) Environmental monitoring and scanning are less important processes for developing forecasts than gathering competitive intelligence.
   - ⊙ true
   - ⊙ false

2) Perceptual acuity, according to Ram Charan, is the ability to sense what will happen in the future.
   - ⊙ true
   - ⊙ false

3) Ted Turner saw the potential of 24-hour news long after his competitors. This is an example of perceptual acuity.
   - ⊙ true
   - ⊙ false

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

5) Competitive Intelligence (CI) is a tool that can only provide management with later stage warnings about both threats and opportunities.
   - ⊙ true
   - ⊙ false

6) Competitive intelligence generally benefits a lot from gathering information on competitors from public sources.
   - ⊙ true
   - ⊙ false

7) Setting clear company guidelines to encourage overly aggressive gathering of competitive intelligence is what Raytheon Technologies does with its Code of Ethics Guide on Competitive Intelligence.
   - ⊙ true
   - ⊙ false

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

9) Scenario analysis is an in-depth approach to forecasting that seeks to explore possible developments that many only be connected to the past.
   - ⊙ true
   - ⊙ false

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

11) In the SWOT framework, the Strengths and Weaknesses are internal environmental factors to consider.
   - ⊙ true
   - ⊙ false

12) In the SWOT framework, Opportunities and Threats are environmental conditions external to the firm.
   - ⊙ true
   - ⊙ false

13) Although changes in the general environment may often adversely or favorably impact a firm and can alter its strategy.
   - ⊙ true
   - ⊙ false

14) A major sociocultural trend in the United States is the increased number of women in the workforce that has resulted in a decrease in the need for business clothing.
   - ⊙ true
   - ⊙ false

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15) Technological innovations can create entirely new industries and alter the boundaries of industries.
   - ◎ true
   - ◎ false

16) Data privacy is *not* a source of competitive advantage for companies like Apple.
   - ◎ true
   - ◎ false

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

18) The five forces model helps to determine the nature of competition in an industry but not the profit potential for the industry.
   - ◎ true
   - ◎ false

19) In some industries, low switching costs can act as an important barrier to entry.
   - ◎ true
   - ◎ false

20) Michael Porter, the originator of the five forces model suggests that for most industries, a three to five-year time horizon is appropriate for rigorously evaluating the structural underpinnings of profitability of an industry.
   - ◎ true
   - ◎ false

21) Michael Porter, the originator of the five forces model suggests thatanalysts should look at industry structure quantitatively as much as possible rather than be satisfied with lists of qualitative factors.
   - ◎ true
   - ◎ false

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

22) Two of the key inputs to developing forecasts discussed in the text are

A) environmental scanning and competitive intelligence.

B) assessing internal strengths and environmental scanning.

C) environmental scanning and stakeholder identification.

D) environmental scanning and a SWOT analysis.

23) Airbus launched the A380 in 2007 and after more than 17 billion USD invested in the project, it announced in 2019 that it would discontinue the A380 production by 2021 because it had sold fewer than half the A380s it expected to deliver. This is an example of poor________.

A) vision statement evaluation

B) environmental scanning

C) environmental testing

D) mission statement evaluation

24) Environmental analysis requires continual questioning of all these assumptions *except*

A) *a priori* ideas about the structure of the relevant industry.

B) continual updating of environmental knowledge.

C) presuppositions about who is and is not a competitor.

D) biases about how to make money in the industry.

25) Firms that were successful in the past can fail today because the company________ is________.

A) competition; decreasing

B) strategy; resilient

C) strategy; outdated

D) future; positive

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

27) Perceptual acuity requires the ability to________ early warning signals of________ changes.
   A) review; internal
   B) detect; environmental
   C) refuse; external
   D) analyze; prior

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

29) This is an input process for forecast development
   A) sales evaluation.
   B) supply chain organization.
   C) stakeholder management.
   D) environmental monitoring.

30) In order to improve________, boards of directors use outsiders to critique their strategy.
   A) financial returns
   B) perceptual acuity
   C) organizational hierarchy
   D) employee relations

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31) Which of the following is *not* one of the questions that United Technologies Code of Ethics Guide on Competitive Intelligence encourages its managers and workers to review whenever they have ethical concerns?
   A) Have I done anything that coerced somebody to share this information?
   B) Am I in a place where I should not be?
   C) Is the contemplated technique for gathering information using a snooping device?
   D) Have I assured that the person sharing information with me knows that I am trying to evade the system?

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

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

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

35) The failure of the A380 to reach its sales goals is due to
   A) similar competitor offers.
   B) the miscalculation of market demands.
   C) a poor selection of hotel in the sky amenities.
   D) a lack of production capacity.

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36) The evolution of environmental trends, sequences of events, or streams of activities are tracked by using________.
   A) environmental monitoring
   B) internal analysis
   C) mapping
   D) competitive intelligence

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

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

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

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

41) Environmental forecasting involves plausible projections about the________ of environmental change.
   A) externalization
   B) internalization
   C) financing
   D) intensity

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

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

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

45) Banks and airlines are examples of two industries that track competitor offers continually through the process of gathering________ intelligence.
   A) response
   B) outdated
   C) internal
   D) competitive

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

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47) In 1977, Kenneth H. Olsen, then president of Digital Equipment Corp., announced that there was no reason for individuals to have a computer in their home. Long since disproven, this is an example of

A) overestimation of uncertainty.
B) poor forecasting of future consumer demand.
C) excellent forecasting.
D) good prediction skills.

48) It is important to question the reliability of forecasts because

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

49) A danger of forecasting discussed in the text is that

A) in most cases, the expense of collecting the necessary data exceeds the benefit.
B) the retrospective nature of forecasting provides little information about the future.
C) it can create legal problems for the firm if regulators discover the company is making forecasts.

D) managers may view uncertainty as black and white while ignoring important gray areas.

50) PPG Industries, the Pittsburgh-based manufacturer of paints, coatings, optical products, specialty materials, chemicals, glass, and fiber glass has paid dividends each year since 1899. It uses________ to help it identify possible future strategies.

A) scenario analysis
B) competitive intelligence
C) crowdsourcing
D) monitoring

51) SWOT analysis is a framework for analyzing the internal and external environment of a company. It consists of strengths, weaknesses, opportunities, and threats. According to a SWOT analysis, a company should________ the________ presented by the environment.

A) build on; weaknesses
B) isolate; competition
C) take advantage of; opportunities
D) strengthen weaknesses

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52) Scenario planning is a useful technique for firms competing in industries characterized by________ and________.
   A) predictability; stability
   B) low profit margins; stability
   C) unpredictability; change
   D) high profit margins; stability

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

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

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

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

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57) By emphasizing the importance of identifying opportunities and threats, the SWOT framework makes firms act________ rather than________.

A) quickly; slowly
B) immediately; eventually
C) proactively; reactively
D) intelligently; uninformed

58) SWOT analysis raises awareness about the role of strategy in creating a match between the environmental conditions and________ of the firm.

A) internal opportunities and threats
B) internal strengths and weaknesses
C) internal strengths and opportunities
D) internal weaknesses and opportunities

59) Steve Jobs, former chairman of Apple, demonstrated that________ and________ also are important in forecasting.

A) character; ability
B) imagination; training
C) training; experience
D) intuition; judgment

60) Which of the following is *not* a correct usage of the SWOT framework?

A) build on its strengths
B) protect the firm from environmental weaknesses
C) take advantage of the opportunities presented by the environment
D) remedy the weaknesses or work around them

61) The aging of the population, changes in ethnic composition, and effects of the________ generation are________ changes.

A) boomer; macroeconomic
B) millennial; demographic
C) Gen Y; sociocultural
D) Gen X; global

62) Larger numbers of women entering the work force since the early 1970s is an example of

A) demographic changes.
B) political and legal environmental changes.
C) sociocultural changes.
D) technological developments.

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63) Emerging sociocultural changes in the environment include

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

64) All of the following are important elements of the political and legal segment of the general environment *except*

A) the deregulation of utilities.
B) the increased use of Internet technology.
C) the Americans with Disabilities Act (ADA).
D) increases in the federally mandated minimum wage.

65) Which of the following would be considered part of the general environment of a firm?

A) decreased entry barriers
B) higher unemployment rates
C) increased bargaining power of the firm's suppliers
D) increased competitive intensity

66) Interest rate increases have a________ impact on the residential home construction industry and a________ effect on industries that produce consumer necessities such as prescription drugs or basic grocery items.

A) positive; negligible
B) negative; positive
C) negative; negligible
D) positive; negative

67) In the general environment, many relationships exist among the various elements. General environmental trends can have positive and negative impacts on various industries. For example, the aging population might have a________ impact on the health care industry and a________ impact on the baby product industry. These are called________ impacts.

A) negative; positive; demographic
B) positive; negative; technological
C) negative; positive; sociocultural
D) positive; negative; demographic

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68) In the general environment, which of the following is *not* a demographic trend?

A) aging population
B) greater disparities in income levels
C) more women in the workforce
D) changes in ethnic composition

69) Research published in *Personnel Psychology* shows that older workers are slightly more willing to implement organizational changes than younger workers. This is an example of the________ segment of the general environment.

A) sociocultural
B) demographic
C) economic
D) political and legal

70) Most companies today use a three-stage career model of education, work, and retirement, but longer lives means changes will be inherent in multistage career models that will need to be addressed by human resource practices. This is an example of the________ segment of the general environment.

A) economic
B) sociocultural
C) demographic
D) political and legal

71) The U.S. Congress passed the Sarbanes-Oxley Act in 2002, which greatly increases the accountability of auditors, executives, and corporate lawyers. Sarbanes-Oxley has also created a tremendous demand for professional accounting services. This is an example of the________ segment of the general environment.

A) economic
B) political and legal
C) demographic
D) sociocultural

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72) A bill passed by the U.S. Congress in October 2000 allowed 195,000 H-1B visas for each of the following three years-up from a cap of 115,000. However, beginning in 2006, the annual cap on H-1B visas has shrunk to only 65,000-with an additional 20,000 visas available for foreigners with a masters or higher degree from a U.S. institution. This is an example of the________ segment of the general environment.

A) economic
B) demographic
C) political and legal
D) sociocultural

73) As an example of the________ segment of the general environment, Data Analytics are being used by corporations to understand their customer purchasing patterns.

A) technological
B) economic
C) demographic
D) political and legal

74) Genetic engineering has had a positive impact on the pharmaceutical industry. This is an example of which type of general environmental trend?

A) economic

B) demographic
C) technological
D) political and legal

75) Data might be one of the most valuable resources in the world today. Which of the following is a social movement that threatens the business models of companies that deal in data such as Google and Facebook?

A) artificial intelligence-based search
B) data privacy protection
C) electronic pollution
D) miniaturization of computing technologies

76) Which of the following methods is used by large data-gathering companies like Google and Apple to address privacy issues?

A) development of tools that increase open access to third-party cookies
B) creation of app prompts that give permission to track personal activity
C) restriction of transparency commitment
D) increasing open access to site-gathered data

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77) The effects of the digital economy include which of the following?
   A) intermediation of markets
   B) increased asset intensity of business operations
   C) increased collaboration and connectedness
   D) lowering of customer expectations

78) Data analytics is the analysis of large data sets to________ hidden patterns,________ trends,________ preferences.
   A) uncover; market; customer
   B) overlook; market; business
   C) overlook; business; customer
   D) discard; business; partner

79) Kaiser Permanente develops insights on the cost, efficiency, and safety of its provided treatments and procedures based in large part on its collection of________ on the health treatments of its millions of healthcare members.
   A) data tidbits
   B) petabytes of data
   C) personal stories
   D) competitor data

80) Identifying the appropriate data and generating actionable analytics is a major change for management teams that use data and analytics to manage strategic uncertainties and opportunities. One of the most important tools used increasingly to assist managers with determining key performance indicators is
   A) spreadsheet analysis.
   B) human intelligence.
   C) focal groups.
   D) artificial intelligence.

81) Artificial Intelligence is behind the algorithms that power many short-form video-sharing apps. One of the most important, inherent problems with these apps is
   A) oversubscription.
   B) content variety.
   C) consumer addiction.
   D) payment terms.

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

83) Airbnb, an online marketplace for lodging, offers more rooms than large hotel chains such as Marriott. Goldman Sachs suggests that the supply of new rooms over the next two years will outpace the previous five even though the growth of American occupancy rates has begun to slow. Which competitive force is involved in this situation?
   A) the threat of favorable government policies
   B) the threat of new buyers
   C) the threat of new entrants
   D) the threat of proprietary products

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

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

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

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

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88) As an example of________, an automobile manufacturer acquires a rental car company.
   A) backward integration
   B) product differentiation
   C) economies of scale
   D) forward integration

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

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

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

92) As an example of________, new communication technology can impact seemingly unrelated industries such as the airline industry.
   A) threat of entry
   B) backward integration
   C) forward integration
   D) threat of substitute products

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

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

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

96) Pittsburgh-based FreeMarkets, now part of SAP Ariba, has developed software enabling large industrial buyers to organize online auctions for qualified suppliers of semistandard parts such as fabricated components, and services. By aggregating buyers, FreeMarkets________ the________ bargaining power.
   - A) decreases; buyer
   - B) increases; buyer
   - C) increases; supplier
   - D) decreases; supplier

97) Nike utilizes direct-to-consumer (DTC) retail models to________ wholesalers and retailers, thus________ the bargaining power of these middlemen.
   - A) incentivize; removing
   - B) circumvent; increasing
   - C) eliminate; increasing
   - D) circumvent; reducing

98) Rapid expansion at Nike depended upon its wholesaler support system What caused Nike to change to a direct-to-consumer strategy?
   - A) Brick-and-mortar store sales declined.
   - B) Customers liked the wholesaler system for support.
   - C) Bargaining power of the retailer was increasing.
   - D) Bargaining power of the retailer was declining.

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99) End users are________ to have a greater________ power because of the Internet and the large amount of consumer information it provides.

A) guaranteed; supplier
B) unable; bargaining
C) likely; bargaining
D) assured; supplier

100) Incumbent firms may enjoy increased bargaining power because the Internet

A) focuses marketing efforts on end users.
B) diminishes the power of many distribution channel intermediaries.
C) increases channel conflict.
D) has reduced the number of wholesalers and distributors.

101) Supplier power has increased because of the Internet for all the following reasons *except*

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

102) In general, the threat of substitutes is heightened because the Internet

A) lowers switching costs.
B) lowers barriers to entry.
C) introduces new ways to accomplish the same task.
D) increases output per unit of cost.

103) How do infomediaries and consumer information websites increase the intensity of competitive rivalry?

A) by shifting customers away from issues of price
B) by consolidating the marketing message that consumers use to make a purchase decision
C) by making competitors in cyberspace seem less equally balanced
D) by highlighting unique selling advantages of a firm

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104) The value net is a game-theoretic approach that

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

105) In the value net analysis, complementors are

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

106) Complements are products or services that have a________ impact on the________ of the products or services of that company.

A) known; cost
B) real; availability
C) viable; substitutability
D) potential; value

107) Nintendo built a security chip into its game console hardware and then licensed the right to develop games to outside firms. These firms paid a royalty to Nintendo for each copy of the game sold. This is an example of Nintendo using________ products.

A) substitute
B) complement
C) unrelated
D) differentiated

108) Elements of the five forces can be quantified. This is important for analyzing industry structure. Which of the following is *not* an example of an element that can be quantified?

A) the percentage of the buyer total cost accounted for by the industry product
B) the percentage of industry sales required to fill a plant or operate a logistical network to efficient scale
C) the governmental regulatory policy
D) the buyer switching cost

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109) In the U.S. grocery industry, competition is cut-throat. How do European discounters such as Aldi and Lidl compete successfully?

A) They have a larger selection of goods.
B) They have a more desirable selection of goods.
C) They focus on low-cost goods.
D) They only have fresh produce for sale.

110) In order to compete with European discounters such as Aldi and Lidl, large supermarket chains do all but which one of the following?

A) Increase the share of private-label products offered.
B) Shift competition to non-price aspects such as dining options.
C) Offer in-store pickup of online orders.
D) Decrease the number of private-label products offered.

111) Strategic groups consist of a group of

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

112) Which of the following statements about strategic groups is *false*?

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

113) Strategic groups consist of firms that are more________ to each other than firms that are not.

A) familiar
B) similar
C) friendly
D) useful

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114) Strategic groups are________ of firms that share________ strategies.

A) groupings; differing
B) clusters; similar
C) banks; the same
D) listings; new

115) Classifying an industry into strategic groups involves judgment. If it is useful as an analytical tool, we must exercise caution in deciding what dimensions to use to map these firms. Dimensions include all of the following *except*

A) breadth of product and geographic scope.
B) price and quality.
C) degree of vertical integration.
D) management team.

116) Referring to the textbook Exhibit 2.7 The World Automobile Industry: Strategic Groups, which strategic group is the largest in terms of breadth of product line?

A) Ferrari, Lamborghini, Porsche
B) Toyota, Ford, General Motors, Chrysler, Honda, Nissan
C) Chery, Geely, Tata Motors
D) Mercedes, BMW, Audi

117) Referring to the textbook Exhibit 2.7 The World Automobile Industry: Strategic Groups, which strategic group is the smallest in terms of breadth of product line?

A) Chery, Geely, Tata Motors
B) Toyota, Ford, General Motors, Chrysler, Honda, Nissan
C) Hyundai, Kia
D) Mercedes, BMW, Audi

118) Referring to the textbook Exhibit 2.7 The World Automobile Industry: Strategic Groups, which strategic group consists of firms high in product pricing/quality and average in their product-line breadth?

A) Ferrari, Lamborghini, Porsche
B) Mercedes, BMW, Audi
C) Chery, Geely, Tata Motors
D) Toyota, Ford, General Motors, Chrysler, Honda, Nissan

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

A) pricing; return
B) competitive; deflect
C) mobility; migrate
D) cost; upscale

120) The strategic groups concept is valuable for identifying groups with________ competitive positions.

A) marginal
B) exceptional
C) healthy
D) poor

121) The strategic groups concept is valuable for_________ the________ directions of firm strategies.

A) understanding; historical
B) evaluating; past
C) charting; future
D) listing; present

122) The strategic groups concept is valuable for assessing the________ of industry________ for the strategic group as a whole.

A) amount; wealth
B) status; positions
C) awareness; experience
D) implications; trends

123) Michael Porter, the originator of the five forces model suggests that an improved understanding of the root causes of profitability depends upon two critical issues when conducting an industry analysis. One of these is

A) a quick overview of the forces involved.
B) the selection of an appropriate time frame.
C) qualitative analysis of the forces involved.
D) the selection of a short time frame.

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124) Delta Pride Catfish, a supplier group of catfish farmers in Mississippi, formed a cooperative to process their own fish, thus bypassing ConAgra and Farm Fresh, their previous processing contractors. By 2014, Delta Pride Catfish controlled over 40 percent of the U.S. catfish market. This is an example of the

A) bargaining power of competitors.
B) bargaining power of suppliers.
C) threat of substitute products.
D) backward integration of services.

125) According to the textbook, which one of the following is *not* an effect of the digital economy?

A) globalization of business
B) reduction in the asset intensity of business operations
C) disintermediation of markets
D) decrease in collaboration

126) Medical monitoring through wearable devices has been approved by the U.S. Food and Drug Administration for offers from Apple. This is an important development of the________ factor of the general environment?

A) technological
B) economic
C) demographic
D) sociocultural

127) Grocery stores in California charge money for their plastic bags. This is a response to environmental sustainability concerns and is part of the considerations under which general environment factor?

A) technological
B) sociocultural
C) demographic
D) economic

128) Changes in the U.S. national debt can have a big impact on the ability of the country to compete in world markets. This is an example of which factor in the general environment?

A) technological
B) sociocultural
C) demographic
D) economic

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

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

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

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

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

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

134) Analyze the impact of the current U.S. government annual cap on H-1B visas on the high-tech industry. What are the implications for this industry going forward in terms of human resource management?

135) Many relationships exist among the various general environmental factors. Choose two real-world examples and demonstrate how the relationship is of importance in evaluating the general environment.

136) Identifying and analyzing the potential impact of observed trends in the general environment is an important task in strategic management. Examine a current trend in the demographic environment and demonstrate the potential impact this could have on a specific industry.

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137) There is an intense rivalry in the U.S. grocery industry. Grocers are always trying to find ways to differentiate themselves with more or less success. Analyze the difference in offers between the largest grocery chain in your hometown and that of Aldi. How do they differ? What do these differences suggest are key tools being used to reduce intense rivalry and raise profitability?

138) The textbook authors suggest that managers should not always avoid low-profit industries or low-profit segments in profitable industries. Explain the reasoning using an example *not* given in the textbook.

139) How do the offers of automobile manufacturer Tesla Inc. place the company in the strategic grouping of the world automobile industry described in the textbook? Use the Porter five forces model to motivate your analysis and conclusions.

140) For an industry of your choice, use the strategic group concept as an analytical tool to analyze the barriers to mobility that protect a group from attacks by other groups in your industry.

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141) For an industry of your choice, use the strategic group concept as an analytical tool to identify and analyze the groups whose competitive position may be marginal or tenuous.

142) For an industry of your choice, use the strategic group concept as an analytical tool to chart the future directions of strategies of the firms.

143) For an industry of your choice, use the strategic group concept as an analytical tool to identify and analyze the implications of each industry trend for the strategic group as a whole.

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Answer Key

Test name: Chapter 02

1) FALSE

Three important processes (scanning, monitoring, and gathering competitive intelligence) are used to develop forecasts.

2) TRUE

Ram Charan defines perceptual acuity as the ability to sense what is coming before the fog clears.

3) FALSE

Ram Charan defines perceptual acuity as the ability to sense what is coming before the fog clears. Turner saw the potential of 24-hour news before anyone else did. All the ingredients were there, but no others connected them until he created CNN.

4) TRUE

Environmental monitoring tracks the evolution of environmental trends, sequences of events, or streams of activities.

5) FALSE

Competitive intelligence (CI) helps firms define and understand their industry and identify strengths and weaknesses of rivals. Done properly, competitive intelligence helps a company avoid surprises by anticipating competitor moves and decreasing response time.

6) TRUE

Competitive intelligence is frequently done effectively through public sources of information. Examples are evident in daily newspapers and periodicals such as *The Wall Street Journal, Bloomberg Businessweek*, and *Fortune*. For example, banks continually track home loan, auto loan, and certificate of deposit (CD) interest rates charged by rivals. Major airlines change hundreds of fares daily in response to competitor tactics.

7) FALSE

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At times, aggressive efforts by a firm to gather competitive intelligence may lead to unethical or illegal behaviors. It is therefore important to set clear company guidelines to prevent such behavior. United Technologies (UT)—now part of Raytheon Technologies—is a good example of a company that has set clear guidelines to help prevent unethical behavior. UT believes strongly in a robust code of ethics. One such document is the Code of Ethics Guide on Competitive Intelligence. This encourages managers and workers to ask themselves five questions whenever they have ethical concerns.

8) FALSE
Environmental forecasting involves the development of plausible projections about the direction, scope, speed, and intensity of environmental change. Its purpose is to predict change.

9) TRUE
Scenario analysis is a more in-depth approach to forecasting. It draws on a range of disciplines and interests, among them economics, psychology, sociology, and demographics. It does not rely on extrapolation of historical trends. Rather, it seeks to explore possible developments that may only be connected to the past.

10) TRUE
Despite its apparent simplicity, the SWOT approach has been very popular. First, it forces managers to consider both internal and external factors simultaneously. Second, its emphasis on identifying opportunities and threats makes firms act proactively rather than reactively. Third, it raises awareness about the role of strategy in creating a match between the environmental conditions and the internal strengths and weaknesses of the firm.

11) TRUE
The Strengths and Weaknesses refer to the internal conditions of the firm in which a firm excels (strengths) and where it may be lacking relative to competitors (weaknesses).

12) TRUE
Opportunities and Threats are environmental conditions external to the firm. These could be factors in either the general or the competitive environment.

13) TRUE
The general environment is composed of factors that can have dramatic effects on firm strategy.

14) FALSE

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The increased number of women in the workforce has increased the need for business-clothing merchandise but decreased the demand for baking product staples (because people would have less time to cook from scratch).

15) TRUE
Developments in technology lead to new products and services and improve how they are produced and delivered to the end user. Innovations can create entirely new industries and alter the boundaries of existing industries.

16) FALSE
Current social movement toward more data privacy threatens the business model of data companies like Google and Facebook while presenting opportunities for other firms to establish a competitive advantage around data privacy. Apple has identified data privacy as a source of competitive advantage.

17) FALSE
The five forces model developed by Michael E. Porter has been the most commonly used analytical tool for examining the competitive environment. It describes the competitive environment in terms of five basic competitive forces.

18) FALSE
The five forces model developed by Michael E. Porter describes the competitive environment in terms of five basic competitive forces that affect the ability of a firm to compete in a given market. Together, they determine the profit potential for a particular industry.

19) FALSE
A barrier to entry is created by the existence of one-time costs that the buyer faces when switching from one supplier product or service to another.

20) TRUE
Michael Porter, the originator of the five forces analysis, addresses two critical issues in conducting a good industry analysis that will yield an improved understanding of the root causes of profitability: (1) choosing the appropriate time frame and (2) a rigorous quantification of the five forces. One of the essential tasks in industry analysis is to distinguish short-term fluctuations from structural changes. A good guideline for the appropriate time horizon is the full business cycle for that particular industry. For most industries, a three- to five-year horizon is appropriate. However, for some industries with long lead times, such as mining, the appropriate horizon may be a decade or more. It is average profitability over this period, not profitability in any particular year, which should be the focus of analysis.

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21) TRUE
Michael Porter, the originator of the five forces analysis, addresses two critical issues in conducting a good industry analysis that will yield an improved understanding of the root causes of profitability: (1) choosing the appropriate time frame and (2) a rigorous quantification of the five forces. The point of industry analysis is not to declare the industry attractive or unattractive but to understand the underpinnings of competition and the root causes of profitability. As much as possible, analysts should look at industry structure quantitatively, rather than be satisfied with lists of qualitative factors. Many elements of five forces can be quantified.

22) A
Three important processes (scanning, monitoring, and gathering competitive intelligence) are used to develop forecasts.

23) B
Analyzing the external environment is a critical step in recognizing and understanding the opportunities and threats that organizations face. Environmental scanning involves surveillance of the external environment of a firm to predict environmental changes and detect changes already underway. This alerts the organization to critical trends and events before changes develop a discernible pattern and before competitors recognize them.

24) B
According to Hamel and Prahalad, every manager carries around in his or her head a set of biases, assumptions, and presuppositions about the structure of the relevant industry, about how one makes money in the industry, about who the competition is and is not, about who the customers are and are not, and so on. Environmental analysis requires you to continually question such assumptions.

25) C
The strategy of the firm may be good at one point in time, but it may go astray when the management frame of reference gets out of touch with the realities of the actual business situation. This situation results when management assumptions, premises, or beliefs are incorrect or when internal inconsistencies among them render the overall theory of the business invalid.

26) C
Although many CEOs may complain that the top job is a lonely one, they cannot do it effectively by sitting alone in their office. Instead, high-performing CEOs are constantly meeting with people and searching out information.

27) B

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The best CEOs are compulsively tuned to the external environment and seem to have a sixth sense that picks up anomalies and detects early warning signals which may represent key threats or opportunities. Although many CEOs may complain that the top job is a lonely one, they cannot do it effectively by sitting alone in their office. Instead, high-performing CEOs are constantly meeting with people and searching out information.

28) D

Although many CEOs may complain that the top job is a lonely one, they cannot do it effectively by sitting alone in their office. Instead, high-performing CEOs are constantly meeting with people and searching out information. This helps them improve perceptual acuity.

29) D

Three important processes (scanning, monitoring, and gathering competitive intelligence) are used to develop forecasts.

30) B

To improve perpetual acuity, two companies ask outsiders to critique strategy during their board strategy sessions. Such input typically leads to spirited discussions that provide valued input on the hinge assumptions and options that are under consideration. Once, the focus was on pinpointing the risk inherent in a certain strategy. Now, discussions have led to finding that the company was missing a valuable opportunity.

31) D

The UT Code of Ethics Guide on Competitive Intelligence encourages managers and workers to ask themselves five questions whenever they have ethical concerns. The last question should read: Have I done something to evade or circumvent a system intended to secure or protect information? Evading the system would be considered an unethical behavior.

32) C

A company strategy may be good at one point in time, but it may go astray when the management frame of reference gets out of touch with the realities of the actual business situation. This situation results when management assumptions, premises, or beliefs are incorrect or when internal inconsistencies among them render the overall theory of the business invalid.

33) B

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According to Ram Charan, an adviser to many Fortune 500 CEOs, improving perceptual acuity is an advantage that one CEO finds from getting together with his critical people for half a day every eight weeks to discuss what is new and what is going on in the world. The setting is informal, and outsiders often attend. The participants look beyond the lens of their industry because some trends that affect one industry may impact others later on.

34) A

Successful managers must recognize opportunities and threats in their company external environment. They must be aware of what is going on outside their company. If they focus exclusively on the efficiency of internal operations, the firm may degenerate into the most efficient producer of buggy whips, typewriters, or carbon paper. But if they miscalculate the market, opportunities will be lost.

35) B

A strategy of the firm may be good at one point in time, but it may go astray when management's frame of reference gets out of touch with the realities of the actual business situation. This results when managements assumptions, premises, or beliefs are incorrect or when internal inconsistencies among them render the overall theory of the business invalid. Airplane projects have extremely long life-cycles, with some airliners flying for more than 30 years. When the A380 development started, Airbus bet that the market demands in the airline industry persisted. At that time, airlines used a hub-and-spoke approach, requiring large jetliners to fly between hub airports such as New York and London. However, this model is increasingly supplemented by direct long-haul routes that can be served more economically by smaller (and more fuel efficient) airplanes.

36) A

Environmental monitoring tracks the evolution of environmental trends, sequences of events, or streams of activities. Monitoring enables firms to evaluate how dramatically environmental trends are changing the competitive landscape.

37) C

Experts agree that spotting key trends requires a combination of knowing your business and your customer as well as keeping an eye on what's happening around you. Such a big-picture/small-picture view enables you to better identify the emerging trends that will affect your business.

38) C

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Environmental scanning involves surveillance of the external environment of a firm to predict environmental changes and detect changes already under way. This alerts the organization to critical trends and events before changes develop a discernible pattern and before competitors recognize them.

39) A
Corporate competitive intelligence is the activity of collecting and interpreting data on competitors, defining and understanding the industry, and identifying competitor strengths and weaknesses in order to avoid surprises by anticipating competitor moves and decreasing response time.

40) B
Competitive intelligence (CI) helps firms define and understand their industry and identify strengths and weaknesses of rivals. This includes the intelligence gathering associated with collecting data on competitors and interpreting such data.

41) D
Environmental forecasting involves the development of plausible projections about the direction, scope, speed, and intensity of environmental change. Its purpose is to predict change.

42) A
Leading firms in an industry can also be a key indicator of emerging trends. For example, with its wide range of household goods, Procter & Gamble is a barometer for consumer spending. Any sign that it can sell more of its premium products without cutting prices sharply indicates that shoppers may finally be becoming less sensitive to pricing with everyday purchases. In particular, investors will examine the performance of beauty products like Olay moisturizers and CoverGirl cosmetics for evidence that spending on small, discretionary pick-me-ups is improving.

43) D
Keeping track of competitors has become easier today with the amount of information that is available on the Internet. The following are examples of some websites that companies routinely use for competitive intelligence gathering: Slideshare, Quora, Ispionage, and YouTube. Duolingo is a language-learning website.

44) C
A word of caution: Executives must be careful to avoid spending so much time and effort tracking the actions of traditional competitors that they ignore new competitors. Further, broad environmental changes and events may have a dramatic impact on company viability.

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45) D

Competitive intelligence is the activity of collecting and interpreting data on competitors, defining and understanding the industry, and identifying competitor strengths and weaknesses. Banks continually track home loan, auto loan, and certificate of deposit (CD) interest rates charged by rivals. Major airlines change hundreds of fares daily in response to competitors' tactics.

46) D

The Code of Ethics Guide on Competitive Intelligence at United Technologies encourages managers and workers to ask themselves these five questions whenever they have ethical concerns. Collecting relevant information is not an ethical concern; however, this is a concern if the contemplated technique for gathering information is invasive.

47) B

In 1977, one of the colossal underestimations in business history occurred when Kenneth H. Olsen, president of Digital Equipment Corp., announced that there was no reason for individuals to have a computer in their home. The explosion in the personal computer market was not easy to detect in 1977, but it was clearly within the range of possibilities at the time. Environmental forecasting involves the development of plausible projections about the direction, scope, speed, and intensity of environmental change. Its purpose is to predict change.

48) C

Some forecasting issues are much more specific to a particular firm and the industry in which it competes. Consider how important it is for Motel 6 to predict future indicators, such as the number of rooms, in the budget segment of the industry. If its predictions are low, it will build too many units, creating a surplus of room capacity that would drive down room rates.

49) D

A danger of forecasting is that managers may view uncertainty as black and white and ignore important gray areas. The problem is that underestimating uncertainty can lead to strategies that neither defend against threats nor take advantage of opportunities.

50) A

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Scenario analysis is a more in-depth approach to forecasting. It draws on a range of disciplines and interests, among them economics, psychology, sociology, and demographics. It usually begins with a discussion of participant thoughts on ways in which societal trends, economics, politics, and technology may affect an issue. Scenario analysis involves the projection of future possible events. It does not rely on extrapolation of historical trends. Rather, it seeks to explore possible developments that may only be connected to the past. That is, several scenarios are considered in a scenario analysis in order to envision possible future outcomes. PPG has developed four alternative futures based on differing assumptions about two key variables: the cost of energy (because its manufacturing operations are energy-intensive) and the extent of opportunity for growth in emerging markets.

51) C
The general idea of SWOT analysis is that company strategy must build on its strengths, remedy its weaknesses or work around them, take advantage of the opportunities presented by the environment, and protect the firm from the threats. Despite its apparent simplicity, the SWOT approach has been very popular. First, it forces managers to consider both internal and external factors simultaneously. Second, its emphasis on identifying opportunities and threats makes firms act proactively rather than reactively. Third, it raises awareness about the role of strategy in creating a match between the environmental conditions and the firm's internal strengths and weaknesses. Finally, its conceptual simplicity is achieved without sacrificing analytical rigor.

52) C
Scenario planning is a useful technique for firms competing in industries characterized by unpredictability and change.

53) C
Scenario analysis is a more in-depth approach to forecasting. It draws on a range of disciplines and interests, among them economics, psychology, sociology, and demographics.

54) D
Opportunities and threats are environmental conditions external to the firm. These could be factors in either the general or the competitive environment. In the general environment, one might experience developments that are beneficial for most companies, such as improving economic conditions that lower borrowing costs, or trends that benefit some companies and harm others.

55) B
The strengths and weaknesses refer to the internal conditions of the firm in which a firm excels (strengths) and may be lacking relative to competitors (weaknesses).

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56) B

In the general environment, one might experience developments that are beneficial for most companies, such as improving economic conditions that lower borrowing costs, or trends that benefit some companies and harm others. An example is the heightened concern with fitness, which is a threat to some companies (e.g., tobacco) and an opportunity to others (e.g., health clubs).

57) C

Despite its apparent simplicity, the SWOT approach has been very popular. First, it forces managers to consider both internal and external factors simultaneously. Second, its emphasis on identifying opportunities and threats makes firms act proactively rather than reactively.

58) B

The SWOT framework raises awareness about the role of strategy in creating a match between the environmental conditions and the internal strengths and weaknesses of the firm.

59) D

While analysis is necessary, it is also equally important to recognize the role played by intuition and judgment. Steve Jobs, the legendary former CEO of Apple, took a very different approach in determining what customers really wanted. Jobs relied on his own intuition, his radar-like feel for emerging technologies and how they could be brought together to create insanely great products that ultimately made the difference. For Jobs, intuition was no mere gut call.

60) B

The general idea of SWOT analysis is that a firm′s strategy must build on its strengths, remedy its weaknesses, or work around them, take advantage of the opportunities presented by the environment, and protect the firm from the threats.

61) B

Demographics include elements such as the aging population, rising or declining affluence, changes in ethnic composition, geographic distribution of the population, and disparities in income level.

62) C

Sociocultural forces influence the values, beliefs, and lifestyles of a society. Examples include a higher percentage of women in the workforce.

63) B

Sociocultural forces influence the values, beliefs, and lifestyles of a society. Examples include an increased educational attainment by women in the workplace.

64) B

Political processes and legislation influence environmental regulations with which industries must comply. Some elements of the political and legal arena include the Americans with Disabilities Act (ADA) of 1990, deregulation of utilities, and increases in the federally mandated minimum wage.

65) B

The general environment is divided into six segments: demographic, sociocultural, political/legal, technological, economic, and global.

66) C

Interest rate increases have a negative impact on the residential home construction industry but a negligible (or neutral) effect on industries that produce consumer necessities such as prescription drugs or common grocery items.

67) D

The general environment is divided into six segments: demographic, sociocultural, political/legal, technological, economic, and global. The aging population is a demographic trend that could positively affect the health care industry and negatively affect the baby product industry.

68) C

The general environment is divided into six segments: demographic, sociocultural, political/legal, technological, economic, and global. The demographic segment of the general environment involves genetic and observable characteristics of a population, including the levels and growth of age, density, sex, race, ethnicity, education, geographic region, and income.

69) A

Sociocultural forces influence the values, beliefs, and lifestyles of a society. Examples include a higher percentage of women in the workforce, dual-income families, increases in the number of temporary workers, greater concern for healthy diets and physical fitness, greater interest in the environment, and postponement of having children.

70) B

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Sociocultural forces influence the values, beliefs, and lifestyles of a society. Examples include a higher percentage of women in the workforce, dual-income families, increases in the number of temporary workers, greater concern for healthy diets and physical fitness, greater interest in the environment, and postponement of having children.

71) B

Government legislation can also have a significant impact on the governance of corporations. The U.S. Congress passed the Sarbanes-Oxley Act in 2002, which greatly increases the accountability of auditors, executives, and corporate lawyers. This act responded to the widespread perception that existing governance mechanisms failed to protect the interests of shareholders, employees, and creditors. Clearly, Sarbanes-Oxley has also created a tremendous demand for professional accounting services.

72) C

The general environment is divided into six segments: demographic, sociocultural, political/legal, technological, economic, and global. The political/legal segment of the general environment is concerned with how a society creates and exercises power, including rules, laws, and taxation policies. Legislation can also affect firms in the high-tech sector of the economy by expanding the number of temporary visas available for highly skilled foreign professionals.

73) A

The general environment is divided into six segments: demographic, sociocultural, political/legal, technological, economic, and global. The technological segment of the general environment is concerned with the developments in technology that lead to new products/services. Technological developments and trends include genetic engineering, Internet technology, research in synthetic materials, and on the downside, pollution and global warming.

74) C

The general environment is divided into six segments: demographic, sociocultural, political/legal, technological, economic, and global. The technological segment of the general environment is concerned with the developments in technology that lead to new products/services. Technological developments and trends include genetic engineering, Internet technology, research in synthetic materials, and on the downside, pollution and global warming.

75) B

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Digital technologies now make it possible to collect large amounts of customer data, allowing companies such as Google and Facebook to create business models that exploit and leverage customer data with great success. Many believe that data is one of the most valuable resources in the world today—even more valuable than oil. Not surprisingly, companies that deal in data—such as Google and Facebook—are among the most valuable companies in the world. However, the current social movement toward more data privacy threatens the business model of these data companies while presenting opportunities for other firms to establish a competitive advantage around data privacy.

76) B
Customers around the world are increasingly concerned with data privacy. This trend is becoming more important by the continued digitization of user data and data sharing in social networks. In addition, large-scale data breaches and data privacy violations increasingly highlight the importance of data privacy. Responding to this trend, some companies proactively view data privacy as a source of competitive advantage. Apple developed data privacy tools for its Safari web browser in 2017 that make it easier to block third-party cookies. The Apple iPhone now prompts users to give apps permission to track their activities across apps and the web, a feature known as App Tracking Transparency. This move toward data privacy is a clear threat to data-hungry apps, including Facebook and Instagram.

77) C
The effects of the digital economy include the following: (1) globalization of business, (2) disintermediation of markets, (3) reducing the asset intensity of business operations, (4) increasing collaboration, (5) increasing customer expectations, (6) infusion of Internet technology into products.

78) A
Data analytics (Big Data) is the analysis of large data sets to uncover hidden patterns, market trends, and customer preferences. These efforts enable firms to better customize their product and service offerings to customers and to better differentiate the firm from its rivals while simultaneously using firm resources more efficiently.

79) B
Kaiser Permanente collects petabytes of data on the health treatments of its 8 million healthcare members. This has allowed Kaiser to develop insights on the cost, efficiency, and safety of the treatments provided by doctors and procedures in hospitals.

80) D

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More recently, AI moves into the corner office and helps top managers solve open-ended strategic problems and formulate competitive business strategies. Many top management teams today are data and analytics-driven when managing strategic uncertainties and identifying strategic opportunities. Yet, identifying the appropriate data and generating actionable analytics is a major challenge. This is where AI can help determine which outcomes to measure. AI is also increasingly used to define key performance indicators (KPIs) that top executives monitor, optimize, and revise with the help of AI. In other words, executives do no longer simply create a strategy for AI but aim to create a strategy with AI to explore and exploit strategic opportunities.

81) C
The TikTok success also comes with challenges. The app is accused of creating social media addiction among its vast userbase. Dr. Julie Albright, a sociologist specializing in digital culture and communication at the University of Southern California, states that when you are scrolling, sometimes you see a photo or something that is delightful, and it catches your attention. And you get that little dopamine hit in the brain, so you want to keep scrolling.

82) D
The five forces model describes the competitive environment in terms of five basic competitive forces: the threat of new entrants, the bargaining power of buyers, the bargaining power of suppliers, the threat of substitute products and services, and the intensity of rivalry among competitors in an industry.

83) C
The threat of new entrants refers to the possibility that the profits of established firms in the industry may be eroded by new competitors. The extent of the threat depends on existing barriers to entry and the combined reactions from existing competitors. If entry barriers are high and/or the newcomer can anticipate a sharp retaliation from established competitors, the threat of entry is low. These circumstances discourage new competitors.

84) B
The competitive threat of intense rivalry can result from lack of differentiation or switching costs. When switching costs are high, this threat is lowered.

85) D
High entry barriers discourage new competitors. Among the major sources of entry barriers are economies of scale, product differentiation, capital requirements, and switching costs.

86) B

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When existing competitors have strong brand identification and customer loyalty, differentiation creates a barrier to entry by forcing entrants to spend heavily to overcome existing customer loyalties.

87) C
Among the major sources of entry barriers are economies of scale, product differentiation, capital requirements, switching costs, and access to raw materials and distribution channels.

88) D
An example of forward integration in the text is an automobile manufacturer acquiring a rental car company. In this case, the automobile manufacturer is a potential competitor who is using forward integration to increase marketplace power.

89) C
A buyer group is powerful when it is concentrated or purchases large volumes relative to seller sales, it earns low profits, or the buyers pose a credible threat of backward integration.

90) B
A buyer group is powerful when it is concentrated or purchases large volumes relative to seller sales, the products it purchases from the industry are standard or undifferentiated, the buyer faces few switching costs, or the industry product is unimportant to the quality of the buyer products or services.

91) A
A supplier group will be powerful when the supplier group is dominated by a few companies and is more concentrated (few firms dominate the industry) than the industry it sells to; the industry is not an important customer of the supplier group; the supplier group products are differentiated, or it has built up switching costs for the buyer; or the supplier group poses a credible threat of forward integration.

92) D
Identifying substitute products involves searching for other products or services that can perform the same function as the industry’s offerings. This may lead a manager into businesses seemingly far removed from the industry. For example, the airline industry might not consider video cameras much of a threat. But as digital technology has improved and wireless and other forms of telecommunication have become more efficient, teleconferencing has become a viable substitute for business travel.

93) B

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A supplier group will be powerful when the supplier group is dominated by a few companies and is more concentrated (few firms dominate the industry) than the industry it sells to; the supplier group is not obliged to contend with substitute products for sale to the industry; the supplier group products are differentiated, or it has built up switching costs for the buyer; or the supplier group poses a credible threat of forward integration.

94) C
A supplier group will be powerful when the supplier group is dominated by a few companies and is more concentrated (few firms dominate the industry) than the industry it sells to; the supplier group is not obliged to contend with substitute products for sale to the industry; the supplier group products are differentiated or it has built up switching costs for the buyer; or the industry is not an important customer of the supplier group.

95) B
In most industries, the threat of new entrants has increased because digital and Internet-based technologies lower barriers to entry. Internet businesses may enjoy savings on traditional expenses which may encourage more entrants who see an opportunity to capture market share by offering a product or performing a service more efficiently than existing competitors.

96) B

Pittsburgh-based FreeMarkets, now part of SAP Ariba, has developed software enabling large industrial buyers to organize online auctions for qualified suppliers of semistandard parts such as fabricated components, packaging materials, metal stampings, and services. By aggregating buyers, FreeMarkets increases the bargaining power of buyers.

97) D
Strategy Spotlight 2.4 illustrates how Nike utilizes direct-to-consumer (DTC) retail models to circumvent wholesalers and retailers, thus reducing the bargaining power of these middlemen.

98) D
Recent developments in the digital economy have led to a decrease in bargaining power for retailers. When Nike opened its first retail store in Santa Monica, CA in 1966, Nike maintained intimate one-to-one relationships with its customers. For instance, Nike provided dedicated running advice, kept track of customer shoe sizes, and sent congratulatory notes when its runners won a big race. However, when Nike grew over the next decades, it needed the help of wholesalers to support its rapid business expansion. While using wholesalers allowed Nike to efficiently distribute its running shoes and apparel to retail establishments, it lost the ability to understand and cultivate close customer relationships. In addition, wholesalers reduce Nike profit margins since large buyers can effectively negotiate lower prices for goods and services.

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99) C

End users are the final customers in a distribution channel. Sales activity that is labeled B2C is concerned with end users. The Internet is likely to increase the power of these buyers, in part because the Internet provides large amounts of consumer information.

100) B

In some industries, buyer channel intermediaries are dominated by powerful players that control who gains access to the latest goods or the best merchandise. The Internet and wireless communications, however, make it much easier and less expensive for businesses to reach customers directly. Thus, the Internet may increase the power of incumbent firms relative to that of traditional buyer channels.

101) D

Several factors contribute to stronger supplier power. First, web-based business may create more downstream outlets for suppliers to sell to. Second, web-based purchasing arrangements make purchasing easier and discourage customers from switching. Online procurement systems directly link suppliers and customers, reducing transaction costs and paperwork. Third, the use of proprietary software that links buyers to a supplier website may create a rapid, low-cost ordering capability that discourages the buyer from seeking other sources of supply. Finally, suppliers will have greater power to the extent that they can reach end users directly without intermediaries.

102) C

Along with traditional marketplaces, the Internet has created a new marketplace and a new channel. In general, therefore, the threat of substitutes is heightened because the Internet introduces new ways to accomplish the same tasks.

103) B

Some shopping infomediaries, such as CNET, not only search for the lowest prices on many different products but also rank the customer service quality of different sites that sell similarly priced items. They increase rivalry by consolidating the marketing message that consumers use to make a purchase decision into a few key pieces of information over which the selling company has little control.

104) B

Based on game-theoretic considerations, Brandenburger and Nalebuff introduced the concept of the value net, which in many ways is an extension of the five forces analysis. The value net represents all the players in the game and analyzes how their interactions affect company ability to generate and appropriate value.

105) B

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Complements typically are products or services that have a potential impact on the value of the products or services of that company. Those who produce complements are usually referred to as complementors. Powerful hardware is of no value to a user unless there is software that runs on it.

106) D

Complements typically are products or services that have a potential impact on the value of the products or services of that company. Those who produce complements are usually referred to as complementors.

107) B

The success of Nintendo in the early 1990s was a result of its ability to manage its relationship with its complementors. Nintendo built a security chip into the hardware and then licensed the right to develop games to outside firms. These firms paid a royalty to Nintendo for each copy of the game sold. The royalty revenue enabled Nintendo to sell game consoles at close to their cost, thereby increasing their market share, which, in turn, caused more games to be sold and more royalties to be generated.

108) C

The point of industry analysis is not to declare the industry attractive or unattractive but to understand the underpinnings of competition and the root causes of profitability. As much as possible, analysts should look at industry structure quantitatively, rather than be satisfied with lists of qualitative factors. Many elements of five forces can be quantified: the percentage of the buyer total cost accounted for by the industry product (to understand buyer price sensitivity); the percentage of industry sales required to fill a plant or operate a logistical network to efficient scale (to help assess barriers to entry); and the buyer switching cost (determining the inducement an entrant or rival must offer customers).

109) C

Rivalry between firms is often based on price. Companies facing intense competition may find themselves unable to raise prices to account for inflation or finance technology upgrades. This is the case in the U.S. grocery industry. One reason for the cut-throat competition is the market entrance of European discounters such as Aldi and Lidl. These discounters keep costs low by focusing on a narrow product offering and private-label products, allowing them to undercut the prices of U.S. grocers such as Kroger or Albertsons.

110) A

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In response to European discounters, large supermarket chains such as Kroger try to shift competition to non-price aspects such as dining options and in-store pickup of online orders. In addition, supermarkets take a page out of the Aldi playbook and increase the share of private-label products in their product offering

111) D

Strategic groups are clusters of firms that share similar strategies. Rivalry tends to be greater among firms that are alike.

112) B

In an industry analysis, two assumptions are unassailable: (1) no two firms are totally different, and (2) no two firms are exactly the same. What value is the strategic group concept as an analytical tool? First, strategic groupings help a firm identify barriers to mobility that protect a group from attacks by other groups. They also help chart the future directions of firm strategies and are helpful in thinking through the implications of each industry trend for the strategic group as a whole.

113) B

In an industry analysis, two assumptions are unassailable: (1) No two firms are totally different, and (2) no two firms are exactly the same. The issue becomes one of identifying groups of firms that are more similar to each other than firms that are not, otherwise known as strategic groups.

114) B

Strategic groups are clusters of firms that share similar strategies.

115) D

Classifying an industry into strategic groups involves judgment. If it is useful as an analytical tool, we must exercise caution in deciding what dimensions to use to map these firms. Dimensions include breadth of product and geographic scope, price/quality, degree of vertical integration, type of distribution (e.g., dealers, mass merchandisers, private label), and so on.

116) B

The final group (at the far right) consists of firms with a broad range of products and multiple price points. These firms have entries that compete at both the lower end of the market (e.g., the Ford Focus) and the higher end (e.g., Chevrolet Corvette).

117) A

Three firms, Zhejiang Geely Holding Company, Chery Automobile Company, and Tata Motors have introduced models that bring new meaning to the term subcompact. These have the lowest breadth of product line and are at the lowest price.

118) B

The third group (near the middle) consists of firms high in product pricing/quality and average in their product-line breadth. This includes Mercedes, BMW, and Audi.

119) C

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

120) A

The strategic groups concept is valuable for determining mobility barriers across groups, identifying groups with marginal competitive positions, charting the future directions of firm strategies, and assessing the implications of industry trends for the strategic group as a whole.

121) C

The strategic groups concept is valuable for determining mobility barriers across groups, identifying groups with marginal competitive positions, charting the future directions of firm strategies, and assessing the implications of industry trends for the strategic group as a whole.

122) D

The strategic groups concept is valuable for determining mobility barriers across groups, identifying groups with marginal competitive positions, charting the future directions of firm strategies, and assessing the implications of industry trends for the strategic group as a whole.

123) B

Michael Porter, the originator of the five forces analysis, addresses two critical issues in conducting a good industry analysis that will yield an improved understanding of the root causes of profitability: (1) choosing the appropriate time frame and (2) a rigorous quantification of the five forces.

124) B

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Suppliers can exert bargaining power by threatening to raise prices or reduce the quality of purchased goods and services. Powerful suppliers can squeeze the profitability of firms so far that they cannot recover the costs of raw material inputs. The factors that make suppliers powerful tend to mirror those that make buyers powerful. A supplier group will be powerful when the supplier group poses a credible threat of forward integration. This provides a check against the industry′s ability to improve the terms by which it purchases.

125) D

The term "Digital Economy" refers to economic transactions and business operations that are based on digital computing technologies. It reflects the economic activity and means of organizing that results from billions of everyday online connections among people, businesses, devices, and processes. The rise of the digital economy has disrupted existing industries, altering how firms structure themselves and how they interact with business partners and customers. The effects of the digital economy include the following: globalization of business; disintermediation of markets; reducing the asset intensity of business operations; increasing collaboration; increasing customer expectations; and infusion of Internet technology into products.

126) D

The general environment is composed of factors that can have dramatic effects on firm strategy. We divide the general environment into six segments: demographic, sociocultural, political/legal, technological, economic, and global. Developments in technology lead to new products and services and improve how they are produced and delivered to the end user. Innovations can create entirely new industries and alter the boundaries of existing industries. Another emerging application of wearable devices is medical monitoring, a domain in which Apple established an early lead. Apple Watch Series 4 is able to measure heart rate in ways that is normally restricted to bulky electrocardiogram (ECG) devices. Apple promotes the Apple Watch 4 as a device that can take an electrocardiogram to diagnose heart failure. A promising sign that Apple efforts in this domain will pay off comes from the U.S. Food and Drug Administration (FDA), which cleared the Apple Watch 4 as a medical device.

127) B

The general environment is composed of factors that can have dramatic effects on firm strategy. We divide the general environment into six segments: demographic, sociocultural, political/legal, technological, economic, and global. Sociocultural forces influence the values, beliefs, and lifestyles of a society. Advocacy groups and public opinion can put pressure on companies to address environmental sustainability concerns such as waste reduction in a proactive manner.

128) D

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The general environment is composed of factors that can have dramatic effects on firm strategy. We divide the general environment into six segments: demographic, sociocultural, political/legal, technological, economic, and global. The economy affects all industries, from suppliers of raw materials to manufacturers of finished goods and services, as well as all organizations in the service, wholesale, retail, government, and nonprofit sectors. Key economic indicators include interest rates, unemployment rates, the consumer price index, the gross domestic product, net disposable income, and national debt.

129) Short Answer
Students should discuss the relative importance of rivalry in the industry and how Alaska Airlines responded to the intense rivalry by buying one of its major competitors to gain more desirable routes and passengers.

130) Short Answer
Students should conduct a PESTEL analysis of Ghana to identify potential areas of strength. Then, choosing an industry and a specific company with that industry, they should demonstrate why selling to Ghana could be a good opportunity.

131) Short Answer
Demographics are the most easily understood and quantifiable elements of the general environment. They are at the root of many changes in society. Demographics include elements such as the aging population, rising or declining affluence, changes in ethnic composition, geographic distribution of the population, and disparities in income level. Sociocultural forces influence the values, beliefs, and lifestyles of a society. Examples include a higher percentage of women in the workforce, dual-income families, increases in the number of temporary workers, greater concern for healthy diets and physical fitness, greater interest in the environment, and postponement of having children. Such forces enhance sales of products and services in many industries but depress sales in others.

132) Short Answer
Students should conduct a five forces analysis of the industry which will demonstrate that the largest regional manufacturing market is in Asia Pacific, and recently Europe is witnessing growth as well. Two major competitors in the United States include East Penn Manufacturing and EnerSys. The United States is a leader in recycling of lead used in these batteries.

133) Short Answer

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Environmental scanning, monitoring, and competitive intelligence are important inputs for analyzing the external environment. Experts agree that spotting key trends requires a combination of knowing your business and your customer as well as keeping an eye on what's happening around you. Such a big-picture/small-picture view enables you to better identify the emerging trends that will affect your business.

134) Short Answer

Legislation can also affect firms in the high-tech sector of the economy by expanding the number of temporary visas available for highly skilled foreign professionals. For example, a bill passed by the U.S. Congress in October 2000 allowed 195,000 H-1B visas for each of the following three years-up from a cap of 115,000. However, beginning in 2006, the annual cap on H-1B visas has shrunk to only 65,000-with an additional 20,000 visas available for foreigners with a Masters or higher degree from a U.S. institution. Many of the visas are for professionals from India with computer and software expertise. This means that at least 87,500 engineers, developers, and others could not take jobs in the United States. As one would expect, this is a political hot potato for industry executives as well as U.S. labor and worker rights groups. The key arguments against H-1B visas are that H-1B workers drive down wages and take jobs from Americans.

135) Short Answer

Refer to Exhibit 2.3 in the chapter. In our discussion of the general environment, we see many relationships among the various elements. For example, a demographic trend in the United States, the aging of the population, has important implications for the economic segment (in terms of tax policies to provide benefits to increasing numbers of older citizens). Another example is the emergence of information technology as a means to increase the rate of productivity gains in the United States and other developed countries. Such use of IT results in lower inflation (an important element of the economic segment) and helps offset costs associated with higher labor rates.

136) Short Answer

Exhibit 2.3 provides other examples of how the impact of trends or events in the general environment can vary across industries.

137) Short Answer

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Rivalry between firms is often based on price. Companies facing intense competition may find themselves unable to raise prices to account for inflation or finance technology upgrades. This is the case in the U.S. grocery industry. One reason for the cut-throat competition is the market entrance of European discounters such as Aldi and Lidl. These discounters keep costs low by focusing on a narrow product offering and private-label products, allowing them to undercut the prices of U.S. grocers such as Kroger or Albertsons. As a response, large supermarket chains such as Kroger try to shift competition to non-price aspects such as dining options and in-store pickup of online orders. In addition, supermarkets take a page out of the Aldi playbook and increase the share of private-label products in their product offering.

138) Short Answer

For industry analysis to be valuable, a company must collect and evaluate a wide variety of information. As the trend toward globalization accelerates, information on foreign markets as well as on a wider variety of competitors, suppliers, customers, substitutes, and potential new entrants becomes more critical. Industry analysis helps a firm not only to evaluate the profit potential of an industry but also to consider various ways to strengthen its position vis-à-vis the five forces. However, we would like to address a few caveats. First, managers must not always avoid low-profit industries (or low-profit segments in profitable industries).Such industries can still yield high returns for some players who pursue sound strategies. As an example, consider WellPoint Health Network (then known as Blue Cross of California), a huge health care insurer.

139) Short Answer

Exhibit 2.7 provides a strategic grouping of the worldwide automobile industry. Students should conduct a study of Tesla Inc. using the five forces model and conclude where it would fit in the strategic grouping illustrated in the textbook.

140) Short Answer

The threat of new entrants refers to the possibility that the profits of established firms in the industry may be eroded by new competitors. The extent of the threat depends on existing barriers to entry and the combined reactions from existing competitors. If entry barriers are high and/or the newcomer can anticipate a sharp retaliation from established competitors, the threat of entry is low. These circumstances discourage new competitors. There are six major sources of entry barriers: economies of scale, product differentiation, capital requirements, switching costs, access to distribution channels, and cost disadvantages independent of scale.

141) Short Answer

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In an industry analysis, two assumptions are unassailable: (1) No two firms are totally different, and (2) no two firms are exactly the same. The issue becomes one of identifying groups of firms that are more similar to each other than firms that are not, otherwise known as strategic groups. This is important because rivalry tends to be greater among firms that are alike. Strategic groups are clusters of firms that share similar strategies. The second value of strategic grouping is that it helps a firm identify groups whose competitive position may be marginal or tenuous. We may anticipate that these competitors may exit the industry or try to move into another group.

142) Short Answer

In an industry analysis, two assumptions are unassailable: (1) No two firms are totally different, and (2) no two firms are exactly the same. The issue becomes one of identifying groups of firms that are more similar to each other than firms that are not, otherwise known as strategic groups. Strategic groupings help chart the future directions of strategies of firms. Arrows emanating from each strategic group can represent the direction in which the group (or a firm within the group) seems to be moving. If all strategic groups are moving in similar direction, this could indicate a high degree of future volatility and intensity of competition.

143) Short Answer

In an industry analysis, two assumptions are unassailable: (1) No two firms are totally different, and (2) no two firms are exactly the same. The issue becomes one of identifying groups of firms that are more similar to each other than firms that are not, otherwise known as strategic groups. Strategic groups are helpful in thinking through the implications of each industry trend for the strategic group as a whole. Is the trend decreasing the viability of a group? If so, in what direction should the strategic group move? Is the trend increasing or decreasing entry barriers? Will the trend decrease the ability of one group to separate itself from other groups? Such analysis can help in making predictions about industry evolution.