

**Test Bank for Essentials of Strategic Management The Quest for Competitive Advantage
5th Edition by Gamble Thompson and Peteraf ISBN 1259546985 9781259546983**

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Chapter 01: Strategy, Business Models, and Competitive Advantage

Multiple Choice Questions

1. Managers in all types of businesses must develop a clear answer for which of the following questions?
 - A. Where are we now?
 - B. Where do we want to go from here?
 - C. What moves and approaches do we need to gain advantage in the marketplace?
 - D. When will we know we are there?
 - E. All of these choices are correct.
2. A company's strategy consists of
 - A. actions to develop a more appealing business model than rivals.
 - B. plans involving alignment of organizational activities and strategic objectives.
 - C. offensive and defensive moves to generate revenues and increase profit margins.
 - D. competitive moves and approaches that managers have developed to grow the business, attract and please customers, conduct operations, and achieve targeted objectives.
 - E. its strategic vision, its strategic objectives, and its strategic intent.

3. The competitive moves and business approaches a company's management is using to grow the business, compete successfully, attract and please customers, conduct operations, respond to changing economic and market conditions, and achieve organizational objectives is referred to as its
- A. strategy.
 - B. mission statement.
 - C. strategic intent.
 - D. business model.
 - E. strategic vision.
4. A company's strategy is most accurately defined as
- A. management's approaches to building revenues, controlling costs, and generating an attractive profit.
 - B. management's game plan for growing the business, attracting and pleasing customers, conducting operations, and achieving financial and market performance objectives.
 - C. management's concept of "where we are headed."
 - D. the business model that a company's board of directors has approved for outcompeting rivals and making the company profitable.
 - E. the choices management has made regarding what financial plan to pursue.
5. Which of the following is *not* something a company's strategy is concerned with?
- A. management's choices about how to attract and please customers
 - B. management's choices about how quickly and closely to copy the strategies being used by successful rival companies
 - C. management's choices about how to grow the business
 - D. management's choices about how to outcompete rivals
 - E. management's action plan for conducting operations and improving the company's strategic and financial performance

6. Which of the following is *not* an element of a company's business strategy?
- A. actions to respond to changing market conditions or other external factors
 - B. actions to strengthen competitiveness via strategic alliances and collaborative partnerships
 - C. actions to strengthen internal capabilities and competitively valuable resources
 - D. actions to manage the functional areas of the business
 - E. actions to revise the company's financial and strategic performance targets
7. Which of the following is an issue likely to be addressed by a company's business strategy?
- A. actions to respond to changing economic and market conditions
 - B. actions to supplement the company's resources and capabilities through alliances and joint ventures
 - C. reactions to offensive moves by rival sellers
 - D. actions and approaches used in managing the functional areas of the business
 - E. all of these are pertinent in identifying a company's strategy.
8. The most important aspect(s) of a company's business strategy
- A. are the actions and moves in the marketplace that managers take to gain a sustainable competitive advantage.
 - B. is figuring out how to maximize profits and shareholder value.
 - C. concerns how to improve the efficiency of its business model.
 - D. deals with how management plans to maximize profits while, at the same time, operating in a socially responsible manner.
 - E. is figuring out how to become the industry's low-cost provider.

9. A creative, distinctive strategy that delivers a sustainable, competitive advantage is important because
- A. without a proven strategy, a company is likely to fall into bankruptcy.
 - B. without a competitive advantage, a company cannot have a profitable business model.
 - C. a strategy that yields a competitive advantage over rivals is a company's most reliable means of achieving above-average profitability and financial performance.
 - D. a competitive advantage is what enables a company to achieve its strategic objectives.
 - E. how a company goes about trying to please customers and outcompete rivals is what enables senior managers to choose an appropriate strategic vision for the company.
10. A company achieves sustainable competitive advantage when
- A. it has a profitable business model.
 - B. a sufficiently large number of buyers have a lasting preference for its products or services as compared to the offerings of competitors.
 - C. it is able to maximize shareholder wealth.
 - D. it is consistently able to achieve both its strategic and financial objectives.
 - E. its strategy and its business model are well matched and in sync.
11. A creative, distinctive strategy that sets a company apart from rivals and that gives it a sustainable competitive advantage
- A. is a reliable indicator that the company has a profitable business model.
 - B. is a company's most reliable ticket to above-average profitability.
 - C. signals that the company has a bold, ambitious strategic intent that places the achievement of strategic objectives ahead of the achievement of financial objectives.
 - D. is the best indicator that the company's strategy and business model are well matched and properly synchronized.
 - E. All of these choices are correct.

12. Proven approaches to winning a sustainable competitive advantage include which of the following?
- A. developing a low-cost-based advantage
 - B. creating a broad differentiation-based advantage
 - C. focusing on a narrow market niche within an industry
 - D. developing a best-cost provider strategy
 - E. All of these choices are correct.
13. Which of the following is a frequently used strategic approach to setting a company apart from rivals and achieving a sustainable competitive advantage?
- A. striving to be the industry's low-cost provider, thereby aiming for a cost-based competitive advantage
 - B. outcompeting rivals on the basis of such differentiating features as higher quality, wider product selection, added performance, better service, more attractive styling, or technological superiority
 - C. developing competitively valuable resources and capabilities that rivals can't easily match, copy, or trump with capabilities of their own
 - D. focusing on a narrow market niche and winning a competitive edge by doing a better job than rivals of serving the special needs and tastes of buyers comprising the niche
 - E. All of these choices are correct.
14. Which of the following is *not* a frequently used strategic approach to setting a company apart from rivals and achieving a sustainable competitive advantage?
- A. aiming for a cost-based competitive advantage
 - B. outcompeting rivals on the basis of such differentiating features as higher quality, wider product selection, added performance, better service, or more attractive styling
 - C. simply trying to mimic the successful strategies of rivals
 - D. focusing on a narrow market niche and winning a competitive edge by doing a better job than rivals of satisfying the needs and tastes of buyers comprising the niche
 - E. developing expertise and resources that give the company competitive capabilities that rivals can't easily imitate or trump with capabilities of their own

15. Which of the following is *not* one of the basic reasons that a company's strategy evolves over time?
- A. an ongoing need to abandon those strategy features that are no longer working well
 - B. the proactive efforts of company managers to improve the company's financial performance and secure a competitive advantage
 - C. the need on the part of company managers to make no adjustments to the company's business model
 - D. the need to respond to the actions and competitive moves of rival firms
 - E. the need to keep strategy in step with changing industry and competitive conditions
16. A company's strategy is a "work in progress" and evolves over time because of the
- A. ongoing need of company managers to react and respond to changing industry and competitive conditions.
 - B. ongoing need to imitate the new strategic moves of the industry leaders.
 - C. need to make regular adjustments in the company's strategic vision.
 - D. importance of developing a fresh strategic plan every year.
 - E. frequent need to modify key elements of the company's business model.
17. Changing circumstances and ongoing managerial efforts to improve the strategy
- A. account for why a company's strategy evolves over time.
 - B. explain why a company's strategic vision undergoes almost constant change.
 - C. make it very difficult for a company to have concrete strategic objectives.
 - D. make it very hard to know what a company's strategy really is.
 - E. All of these choices are correct.

18. It is normal for a company's strategy to end up being
- A. left unchanged from management's original planned set of actions and business approaches since making on-the-spot changes is too risky.
 - B. a combination of defensive moves to protect the company's market share and offensive initiatives to set the company's product offering apart from rivals.
 - C. like the strategies of other industry members since all companies are confronting much the same market conditions and competitive pressures.
 - D. a blend of deliberate planned actions to improve the company's competitiveness and financial performance and as-needed unplanned reactions to unanticipated developments and fresh market conditions.
 - E. a mirror image of its business model, so as to avoid impairing company profitability.
19. Crafting a strategy involves
- A. blending deliberate, planned initiatives with emergent, unplanned reactive responses to changing circumstances, while abandoning planned strategy elements that have failed in the marketplace.
 - B. developing a five-year strategic plan and then fine-tuning it during the remainder of the plan period.
 - C. trying to imitate as much of the market leader's strategy as possible so as not to end up at a competitive disadvantage.
 - D. doing everything possible (in the way of price, quality, service, warranties, advertising, and so on) to make sure the company's product and/or service is very clearly differentiated from the product and or service offerings of rivals.
 - E. All of these accurately characterize the managerial process of crafting a company's strategy.
20. A company may develop an emergent strategy due to
- A. strategic moves by rival firms.
 - B. unexpected shifts in customer preferences.
 - C. fast-changing technological developments.
 - D. new market opportunities.
 - E. All of these choices are correct.

21. Which of the following statements about a company's realized strategy is true?

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

22. A company's realized strategy is made up of

- A. deliberate and/or planned initiatives that have proven themselves in the marketplace and newly launched initiatives aimed at further boosting performance.
- B. emergent and/or reactive adjustments to unanticipated strategic moves by rivals, unexpected changes in customer preferences, and new market opportunities.
- C. tactical plans to imitate the key elements of the strategies employed by rivals.
- D. both deliberate and/or planned initiatives that have proven themselves in the marketplace and newly launched initiatives aimed at further boosting performance and emergent and/or reactive adjustments to unanticipated strategic moves by rivals, unexpected changes in customer preferences, and new market opportunities.
- E. All of these choices are correct.

23. A company's business model

- A. concerns the actions and business approaches that will be used to grow the business, conduct operations, please customers, and compete successfully.
- B. relates to the principle business components that will allow the business to generate revenues ample enough to cover costs and produce a profit.
- C. concerns what moves in the marketplace it plans to make to outcompete rivals.
- D. deals with how it can simultaneously maximize profits and operate in a socially responsible manner.
- E. concerns how management plans to pursue strategic objectives, given the larger imperative of meeting or beating its financial performance targets.

24. The elements of a company's business model are

- A. its customer value proposition as well as the company's profit formula.
- B. its business strategy, its collection of competitively valuable resources, and a strong management team.
- C. its deliberate strategy, its emergent strategy, and its realized strategy.
- D. its actions to capture emerging market opportunities and defend against threats to the company's business prospects, its actions to strengthen competitiveness via strategic alliances, and its actions to enter new geographic or product markets.
- E. management's answers to the questions: Where are we now? Where do we want to go? and How are we going to get there?

25. A viable business model includes a valuable customer value proposition that

- A. is always partly deliberate or planned and partly emergent or reactive.
- B. is an essential component of pursuing the company's strategic intent.
- C. suggests the greater the value provided and the lower the price, the more attractive the value proposition.
- D. lays out the approach to satisfying buyer wants and needs at a premium price.
- E. must set forth management's long-term action plan for achieving market leadership.

26. A company's business model

- A. details the manner in which the company will pass the three tests of a winning strategy.
- B. indicates how the strategy will result in achieving the targeted strategic objectives.
- C. clarifies (1) how the business will provide customers with value, and (2) why the business will generate revenues sufficient to cover costs and produce attractive profits.
- D. explains how it intends to achieve high profit margins.
- E. sets forth the actions and approaches that it will employ to achieve market leadership.

27. A winning strategy is one that

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

28. A well-conceived strategy builds a company's

- A. profitability and financial strength.
- B. competitive strength and market standing.
- C. distinctive competencies and sustainability.
- D. competitive edge.
- E. All of these choices are correct.

29. In evaluating proposed or existing strategies, managers should
- A. initiate new initiatives even though they don't seem to match the company's internal and external situation.
 - B. scrutinize the company's existing strategies on a regular basis to ensure they offer a good strategic fit, create a competitive advantage, and result in above-average performance.
 - C. evaluate the firm's business model at least every three years.
 - D. ensure core capabilities are incorporated for establishing a competitive advantage.
 - E. align existing strategies with new strategies to emphasize incremental gains.
30. Which of the following questions ought to be used to distinguish a winning strategy from a so-so or flawed strategy?
- A. Does the strategy contain a sufficient number of emergent and/or reactive elements?
 - B. Is the company putting too little emphasis on growth and profitability and too much emphasis on behaving in an ethical and socially responsible manner?
 - C. Is the strategy built on a company's weakness, or does it require resources that are deficient in the company?
 - D. Is the strategy well matched to the company's situation, helping the company achieve a sustainable competitive advantage and resulting in better company performance?
 - E. Does the strategy strike a good balance between maximizing shareholder wealth and maximizing customer satisfaction?

Short Answer Questions

31. Briefly define each of the following terms:

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

32. List five elements of an enterprise's business strategy.

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

34. What is the nitty-gritty issue surrounding a company's business model?

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

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

37. Why are capabilities critical to a company's quest for a sustainable competitive advantage?

38. Why does a company's strategy tend to evolve over time?

39. Why is a company's realized strategy a blend of proactive and adaptive approaches?

40. Provide at least two examples of a company's competitively valuable capabilities.

41. Define and explain the importance of the two elements of a company's business model.

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

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

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

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

46. Explain what affects a company's ultimate success or failure in the marketplace.

Chapter 01 Strategy, Business Models, and Competitive Advantage

Answer Key

Multiple Choice Questions

1. Managers in all types of businesses must develop a clear answer for which of the following questions?
 - A. Where are we now?
 - B. Where do we want to go from here?
 - C.** What moves and approaches do we need to gain advantage in the marketplace?
 - D. When will we know we are there?
 - E. All of these choices are correct.

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

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Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-01 Understand why every company needs a distinctive strategy to compete successfully, manage its business operations, and strengthen its prospects for long-term success.

Topic: Introduction

2. A company's strategy consists of

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

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

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 2 Medium

Learning Objective: 01-01 Understand why every company needs a distinctive strategy to compete successfully, manage its business operations, and strengthen its prospects for long-term success.

Topic: The Importance of a Distinctive Strategy and Competitive Approach

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

- A.** strategy.
- B. mission statement.
- C. strategic intent.
- D. business model.
- E. strategic vision.

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

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Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-01 Understand why every company needs a distinctive strategy to compete successfully, manage its business operations, and strengthen its prospects for long-term success.

Topic: The Importance of a Distinctive Strategy and Competitive Approach

4. A company's strategy is most accurately defined as
- A. management's approaches to building revenues, controlling costs, and generating an attractive profit.
 - B.** management's game plan for growing the business, attracting and pleasing customers, conducting operations, and achieving financial and market performance objectives.
 - C. management's concept of "where we are headed."
 - D. the business model that a company's board of directors has approved for outcompeting rivals and making the company profitable.
 - E. the choices management has made regarding what financial plan to pursue.

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

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Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-01 Understand why every company needs a distinctive strategy to compete successfully, manage its business operations, and strengthen its prospects for long-term success.

Topic: Introduction

5. Which of the following is *not* something a company's strategy is concerned with?
- A. management's choices about how to attract and please customers
 - B.** management's choices about how quickly and closely to copy the strategies being used by successful rival companies
 - C. management's choices about how to grow the business
 - D. management's choices about how to outcompete rivals
 - E. management's action plan for conducting operations and improving the company's strategic and financial performance

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

AACSB: Analytical Thinking

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Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-01 Understand why every company needs a distinctive strategy to compete successfully, manage its business operations, and strengthen its prospects for long-term success.

Topic: The Importance of a Distinctive Strategy and Competitive Approach

6. Which of the following is *not* an element of a company's business strategy?
- A. actions to respond to changing market conditions or other external factors
 - B. actions to strengthen competitiveness via strategic alliances and collaborative partnerships
 - C. actions to strengthen internal capabilities and competitively valuable resources
 - D. actions to manage the functional areas of the business
 - E.** actions to revise the company's financial and strategic performance targets

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

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Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-01 Understand why every company needs a distinctive strategy to compete successfully, manage its business operations, and strengthen its prospects for long-term success.

Topic: Introduction

7. Which of the following is an issue likely to be addressed by a company's business strategy?
- A. actions to respond to changing economic and market conditions
 - B. actions to supplement the company's resources and capabilities through alliances and joint ventures
 - C. reactions to offensive moves by rival sellers
 - D. actions and approaches used in managing the functional areas of the business
 - E.** all of these are pertinent in identifying a company's strategy.

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

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Blooms: Understand

Difficulty: 1 Easy

Learning Objective: 01-04 Understand that a company's strategy tends to evolve over time because of changing circumstances and ongoing management efforts to improve the company's strategy.

Topic: Why a Company's Strategy Evolves over Time

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

- A.** are the actions and moves in the marketplace that managers take to gain a sustainable competitive advantage.
- B. is figuring out how to maximize profits and shareholder value.
- C. concerns how to improve the efficiency of its business model.
- D. deals with how management plans to maximize profits while, at the same time, operating in a socially responsible manner.
- E. is figuring out how to become the industry's low-cost provider.

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

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Blooms: Understand

Difficulty: 1 Easy

Learning Objective: 01-03 Develop an awareness of the five most dependable strategic approaches for setting a company apart from rivals and winning a sustainable competitive advantage.

Topic: Strategy and the Quest for Competitive Advantage

9. A creative, distinctive strategy that delivers a sustainable, competitive advantage is important because
- A. without a proven strategy, a company is likely to fall into bankruptcy.
 - B. without a competitive advantage, a company cannot have a profitable business model.
 - C.** a strategy that yields a competitive advantage over rivals is a company's most reliable means of achieving above-average profitability and financial performance.
 - D. a competitive advantage is what enables a company to achieve its strategic objectives.
 - E. how a company goes about trying to please customers and outcompete rivals is what enables senior managers to choose an appropriate strategic vision for the company.

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

AACSB: Analytical Thinking

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Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-02 Learn why it is important for a company to have a viable business model that outlines the company's customer value proposition and its profit formula.

Topic: Strategy and the Quest for Competitive Advantage

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

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

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Blooms: Understand

Difficulty: 1 Easy

Learning Objective: 01-03 Develop an awareness of the five most dependable strategic approaches for setting a company apart from rivals and winning a sustainable competitive advantage.

Topic: Strategy and the Quest for Competitive Advantage

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

- A. is a reliable indicator that the company has a profitable business model.
- B. is a company's most reliable ticket to above-average profitability.
- C.** signals that the company has a bold, ambitious strategic intent that places the achievement of strategic objectives ahead of the achievement of financial objectives.
- D. is the best indicator that the company's strategy and business model are well matched and properly synchronized.
- E. All of these choices are correct.

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

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Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-03 Develop an awareness of the five most dependable strategic approaches for setting a company apart from rivals and winning a sustainable competitive advantage.

Topic: Strategy and the Quest for Competitive Advantage

12. Proven approaches to winning a sustainable competitive advantage include which of the following?

- A. developing a low-cost-based advantage
- B. creating a broad differentiation-based advantage
- C. focusing on a narrow market niche within an industry
- D. developing a best-cost provider strategy
- E.** All of these choices are correct.

These are four out of five of the most frequently used and dependable strategic approaches to setting a company apart from rivals and winning a sustainable competitive advantage.

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Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 1 Easy

Learning Objective: 01-03 Develop an awareness of the five most dependable strategic approaches for setting a company apart from rivals and winning a sustainable competitive advantage.

Topic: Strategy and the Quest for Competitive Advantage

13. Which of the following is a frequently used strategic approach to setting a company apart from rivals and achieving a sustainable competitive advantage?
- A. striving to be the industry's low-cost provider, thereby aiming for a cost-based competitive advantage
 - B. outcompeting rivals on the basis of such differentiating features as higher quality, wider product selection, added performance, better service, more attractive styling, or technological superiority
 - C. developing competitively valuable resources and capabilities that rivals can't easily match, copy, or trump with capabilities of their own
 - D. focusing on a narrow market niche and winning a competitive edge by doing a better job than rivals of serving the special needs and tastes of buyers comprising the niche
 - E.** All of these choices are correct.

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

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Blooms: Remember

Difficulty: 2 Medium

Learning Objective: 01-03 Develop an awareness of the five most dependable strategic approaches for setting a company apart from rivals and winning a sustainable competitive advantage.

Topic: Strategy and the Quest for Competitive Advantage

Topic: The Importance of Capabilities in Building and Sustaining Competitive Advantage

14. Which of the following is *not* a frequently used strategic approach to setting a company apart from rivals and achieving a sustainable competitive advantage?
- A. aiming for a cost-based competitive advantage
 - B. outcompeting rivals on the basis of such differentiating features as higher quality, wider product selection, added performance, better service, or more attractive styling
 - C.** simply trying to mimic the successful strategies of rivals
 - D. focusing on a narrow market niche and winning a competitive edge by doing a better job than rivals of satisfying the needs and tastes of buyers comprising the niche
 - E. developing expertise and resources that give the company competitive capabilities that rivals can't easily imitate or trump with capabilities of their own

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

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-03 Develop an awareness of the five most dependable strategic approaches for setting a company apart from rivals and winning a sustainable competitive advantage.

Topic: Strategy and the Quest for Competitive Advantage

Topic: The Importance of Capabilities in Building and Sustaining Competitive Advantage

15. Which of the following is *not* one of the basic reasons that a company's strategy evolves over time?
- A. an ongoing need to abandon those strategy features that are no longer working well
 - B. the proactive efforts of company managers to improve the company's financial performance and secure a competitive advantage
 - C.** the need on the part of company managers to make no adjustments to the company's business model
 - D. the need to respond to the actions and competitive moves of rival firms
 - E. the need to keep strategy in step with changing industry and competitive conditions

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

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-04 Understand that a company's strategy tends to evolve over time because of changing circumstances and ongoing management efforts to improve the company's strategy.

Topic: Why a Company's Strategy Evolves over Time

16. A company's strategy is a "work in progress" and evolves over time because of the
- A.** ongoing need of company managers to react and respond to changing industry and competitive conditions.
 - B. ongoing need to imitate the new strategic moves of the industry leaders.
 - C. need to make regular adjustments in the company's strategic vision.
 - D. importance of developing a fresh strategic plan every year.
 - E. frequent need to modify key elements of the company's business model.

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

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 1 Easy

Learning Objective: 01-04 Understand that a company's strategy tends to evolve over time because of changing circumstances and ongoing management efforts to improve the company's strategy.

Topic: Why a Company's Strategy Evolves over Time

17. Changing circumstances and ongoing managerial efforts to improve the strategy

- A.** account for why a company's strategy evolves over time.
- B. explain why a company's strategic vision undergoes almost constant change.
- C. make it very difficult for a company to have concrete strategic objectives.
- D. make it very hard to know what a company's strategy really is.
- E. All of these choices are correct.

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

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-04 Understand that a company's strategy tends to evolve over time because of changing circumstances and ongoing management efforts to improve the company's strategy.

Topic: Why a Company's Strategy Evolves over Time

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

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

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-04 Understand that a company's strategy tends to evolve over time because of changing circumstances and ongoing management efforts to improve the company's strategy.

Topic: Why a Company's Strategy Evolves over Time

19. Crafting a strategy involves

- A.** blending deliberate, planned initiatives with emergent, unplanned reactive responses to changing circumstances, while abandoning planned strategy elements that have failed in the marketplace.
- B. developing a five-year strategic plan and then fine-tuning it during the remainder of the plan period.
- C. trying to imitate as much of the market leader's strategy as possible so as not to end up at a competitive disadvantage.
- D. doing everything possible (in the way of price, quality, service, warranties, advertising, and so on) to make sure the company's product and/or service is very clearly differentiated from the product and or service offerings of rivals.
- E. All of these accurately characterize the managerial process of crafting a company's strategy.

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

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 1 Easy

Learning Objective: 01-04 Understand that a company's strategy tends to evolve over time because of changing circumstances and ongoing management efforts to improve the company's strategy.

Topic: Why a Company's Strategy Evolves over Time

20. A company may develop an emergent strategy due to

- A. strategic moves by rival firms.
- B. unexpected shifts in customer preferences.
- C. fast-changing technological developments.
- D. new market opportunities.
- E.** All of these choices are correct.

Novel strategic moves on the part of rival firms, unexpected shifts in customer preferences, fast-changing technological developments, and new market opportunities call for unplanned, reactive adjustments that form the company's emergent strategy.

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 1 Easy

Learning Objective: 01-04 Understand that a company's strategy tends to evolve over time because of changing circumstances and ongoing management efforts to improve the company's strategy.

Topic: Why a Company's Strategy Evolves over Time

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

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

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-04 Understand that a company's strategy tends to evolve over time because of changing circumstances and ongoing management efforts to improve the company's strategy.

Topic: Why a Company's Strategy Evolves over Time

22. A company's realized strategy is made up of

- A. deliberate and/or planned initiatives that have proven themselves in the marketplace and newly launched initiatives aimed at further boosting performance.
- B. emergent and/or reactive adjustments to unanticipated strategic moves by rivals, unexpected changes in customer preferences, and new market opportunities.
- C. tactical plans to imitate the key elements of the strategies employed by rivals.
- D.** both deliberate and/or planned initiatives that have proven themselves in the marketplace and newly launched initiatives aimed at further boosting performance and emergent and/or reactive adjustments to unanticipated strategic moves by rivals, unexpected changes in customer preferences, and new market opportunities.
- E. All of these choices are correct.

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

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-04 Understand that a company's strategy tends to evolve over time because of changing circumstances and ongoing management efforts to improve the company's strategy.

Topic: Why a Company's Strategy Evolves over Time

23. A company's business model

- A. concerns the actions and business approaches that will be used to grow the business, conduct operations, please customers, and compete successfully.
- B.** relates to the principle business components that will allow the business to generate revenues ample enough to cover costs and produce a profit.
- C. concerns what moves in the marketplace it plans to make to outcompete rivals.
- D. deals with how it can simultaneously maximize profits and operate in a socially responsible manner.
- E. concerns how management plans to pursue strategic objectives, given the larger imperative of meeting or beating its financial performance targets.

A company's business model is management's blueprint for delivering a valuable product or service to customers in a manner that will yield an attractive profit.

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 2 Medium

Learning Objective: 01-02 Learn why it is important for a company to have a viable business model that outlines the company's customer value proposition and its profit formula.

Topic: The Relationship Between a Company's Strategy and Business Model

24. The elements of a company's business model are

- A.** its customer value proposition as well as the company's profit formula.
- B. its business strategy, its collection of competitively valuable resources, and a strong management team.
- C. its deliberate strategy, its emergent strategy, and its realized strategy.
- D. its actions to capture emerging market opportunities and defend against threats to the company's business prospects, its actions to strengthen competitiveness via strategic alliances, and its actions to enter new geographic or product markets.
- E. management's answers to the questions: Where are we now? Where do we want to go? and How are we going to get there?

The two elements of a company's business model are (1) its customer value proposition and (2) its profit formula.

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 2 Medium

Learning Objective: 01-02 Learn why it is important for a company to have a viable business model that outlines the company's customer value proposition and its profit formula.

Topic: The Relationship Between a Company's Strategy and Business Model

25. A viable business model includes a valuable customer value proposition that
- A. is always partly deliberate or planned and partly emergent or reactive.
 - B. is an essential component of pursuing the company's strategic intent.
 - C.** suggests the greater the value provided and the lower the price, the more attractive the value proposition.
 - D. lays out the approach to satisfying buyer wants and needs at a premium price.
 - E. must set forth management's long-term action plan for achieving market leadership.

The customer value proposition is established by the company's overall strategy and lays out the company's approach to satisfying buyer wants and needs at a price customers will consider a good value. The greater the value provided and the lower the price, the more attractive the value proposition is to customers.

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-04 Understand that a company's strategy tends to evolve over time because of changing circumstances and ongoing management efforts to improve the company's strategy.

Topic: The Relationship Between a Company's Strategy and Business Model

26. A company's business model

- A. details the manner in which the company will pass the three tests of a winning strategy.
- B. indicates how the strategy will result in achieving the targeted strategic objectives.
- C.** clarifies (1) how the business will provide customers with value, and (2) why the business will generate revenues sufficient to cover costs and produce attractive profits.
- D. explains how it intends to achieve high profit margins.
- E. sets forth the actions and approaches that it will employ to achieve market leadership.

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

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 2 Medium

Learning Objective: 01-02 Learn why it is important for a company to have a viable business model that outlines the company's customer value proposition and its profit formula.

Topic: The Relationship Between a Company's Strategy and Business Model

27. A winning strategy is one that

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

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

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 2 Medium

Learning Objective: 01-05 Learn the three tests of a winning strategy.

Topic: The Three Tests of a Winning Strategy

28. A well-conceived strategy builds a company's
- A. profitability and financial strength.
 - B. competitive strength and market standing.
 - C. distinctive competencies and sustainability.
 - D. competitive edge.
 - E.** All of these choices are correct.

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

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-05 Learn the three tests of a winning strategy.

Topic: The Three Tests of a Winning Strategy

29. In evaluating proposed or existing strategies, managers should
- A. initiate new initiatives even though they don't seem to match the company's internal and external situation.
 - B.** scrutinize the company's existing strategies on a regular basis to ensure they offer a good strategic fit, create a competitive advantage, and result in above-average performance.
 - C. evaluate the firm's business model at least every three years.
 - D. ensure core capabilities are incorporated for establishing a competitive advantage.
 - E. align existing strategies with new strategies to emphasize incremental gains.

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

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-05 Learn the three tests of a winning strategy.

Topic: The Three Tests of a Winning Strategy

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

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

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-05 Learn the three tests of a winning strategy.

Topic: The Three Tests of a Winning Strategy

Short Answer Questions

31. Briefly define each of the following terms:

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

Answers may vary.

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

AACSB: Analytical Thinking

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-01 Understand why every company needs a distinctive strategy to compete successfully, manage its business operations, and strengthen its prospects for long-term success.

Learning Objective: 01-02 Learn why it is important for a company to have a viable business model that outlines the company's customer value proposition and its profit formula.

Learning Objective: 01-04 Understand that a company's strategy tends to evolve over time because of changing circumstances and ongoing management efforts to improve the company's strategy.

Topic: Strategy, Business Models, and Competitive Advantage

32. List five elements of an enterprise's business strategy.

Answers may vary.

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

AACSB: Analytical Thinking

Blooms: Remember

Difficulty: 2 Medium

Learning Objective: 01-01 Understand why every company needs a distinctive strategy to compete successfully, manage its business operations, and strengthen its prospects for long-term success.

Topic: Strategy, Business Models, and Competitive Advantage

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

Answers may vary.

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

AACSB: Analytical Thinking

Blooms: Understand

Difficulty: 3 Hard

Learning Objective: 01-02 Learn why it is important for a company to have a viable business model that outlines the company's customer value proposition and its profit formula.

Topic: The Relationship Between a Company's Strategy and Business Model

34. What is the nitty-gritty issue surrounding a company's business model?

Answers may vary.

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

AACSB: Analytical Thinking

Blooms: Remember

Difficulty: 2 Medium

Learning Objective: 01-02 Learn why it is important for a company to have a viable business model that outlines the company's customer value proposition and its profit formula.

Topic: The Relationship Between a Company's Strategy and Business Model

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

Answers may vary.

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

AACSB: Analytical Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-03 Develop an awareness of the five most dependable strategic approaches for setting a company apart from rivals and winning a sustainable competitive advantage.

Topic: Strategy and the Quest for Competitive Advantage

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

Answers may vary.

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

AACSB: Analytical Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-03 Develop an awareness of the five most dependable strategic approaches for setting a company apart from rivals and winning a sustainable competitive advantage.

Topic: Strategy and the Quest for Competitive Advantage

37. Why are capabilities critical to a company's quest for a sustainable competitive advantage?

Answers may vary.

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

AACSB: Analytical Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-03 Develop an awareness of the five most dependable strategic approaches for setting a company apart from rivals and winning a sustainable competitive advantage.

Topic: The Importance of Capabilities in Building and Sustaining Competitive Advantage

38. Why does a company's strategy tend to evolve over time?

Answers may vary.

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

AACSB: Analytical Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-04 Understand that a company's strategy tends to evolve over time because of changing circumstances and ongoing management efforts to improve the company's strategy.

Topic: Why a Company's Strategy Evolves over Time

39. Why is a company's realized strategy a blend of proactive and adaptive approaches?

Answers may vary.

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

AACSB: Analytical Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-04 Understand that a company's strategy tends to evolve over time because of changing circumstances and ongoing management efforts to improve the company's strategy.

Topic: Why a Company's Strategy Evolves over Time

40. Provide at least two examples of a company's competitively valuable capabilities.

Answers may vary.

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

AACSB: Analytical Thinking

Blooms: Remember

Difficulty: 2 Medium

Learning Objective: 01-03 Develop an awareness of the five most dependable strategic approaches for setting a company apart from rivals and winning a sustainable competitive advantage.

Topic: The Importance of Capabilities in Building and Sustaining Competitive Advantage

41. Define and explain the importance of the two elements of a company's business model.

Answers may vary.

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

AACSB: Analytical Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-02 Learn why it is important for a company to have a viable business model that outlines the company's customer value proposition and its profit formula.

Topic: The Relationship Between a Company's Strategy and Business Model

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

Answers may vary.

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

AACSB: Analytical Thinking

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-05 Learn the three tests of a winning strategy.

Topic: The Three Tests of a Winning Strategy

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

Answers may vary.

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

AACSB: Analytical Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-05 Learn the three tests of a winning strategy.

Topic: The Three Tests of a Winning Strategy

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

Answers may vary.

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

AACSB: Analytical Thinking

Blooms: Create

Difficulty: 2 Medium

Learning Objective: 01-03 Develop an awareness of the five most dependable strategic approaches for setting a company apart from rivals and winning a sustainable competitive advantage.

Learning Objective: 01-05 Learn the three tests of a winning strategy.

Topic: The Importance of Capabilities in Building and Sustaining Competitive Advantage

Topic: The Three Tests of a Winning Strategy

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

Answers may vary.

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

AACSB: Analytical Thinking

Blooms: Create

Difficulty: 3 Hard

Learning Objective: 01-01 Understand why every company needs a distinctive strategy to compete successfully, manage its business operations, and strengthen its prospects for long-term success.

Learning Objective: 01-02 Learn why it is important for a company to have a viable business model that outlines the company's customer value proposition and its profit formula.

Learning Objective: 01-03 Develop an awareness of the five most dependable strategic approaches for setting a company apart from rivals and winning a sustainable competitive advantage.

Learning Objective: 01-04 Understand that a company's strategy tends to evolve over time because of changing circumstances and ongoing management efforts to improve the company's strategy.

Learning Objective: 01-05 Learn the three tests of a winning strategy.

Topic: Why Crafting and Executing Strategy are Important Tasks

46. Explain what affects a company's ultimate success or failure in the marketplace.

Answers may vary.

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

AACSB: Analytical Thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-01 Understand why every company needs a distinctive strategy to compete successfully, manage its business operations, and strengthen its prospects for long-term success.

Learning Objective: 01-02 Learn why it is important for a company to have a viable business model that outlines the company's customer value proposition and its profit formula.

Learning Objective: 01-03 Develop an awareness of the five most dependable strategic approaches for setting a company apart from rivals and winning a sustainable competitive advantage.

Learning Objective: 01-04 Understand that a company's strategy tends to evolve over time because of changing circumstances and ongoing management efforts to improve the company's strategy.

Learning Objective: 01-05 Learn the three tests of a winning strategy.

Topic: Why Crafting and Executing Strategy are Important Tasks