

## Strategy, Business Models, and Competitive Advantage

### Multiple Choice Questions

1. Managers in all types of businesses must address the central strategic question:
  - A. Where are we now?
  - B. Where do we want to go from here?
  - C. How are we going to get there?
  - D. When will we know we are there?
  - E. All of these
  
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. Management 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.

12. Proven approaches to winning a sustainable competitive advantage include which of the following?
- A. Strategies keyed to developing a low-cost-based advantage.
  - B. Strategies keyed to 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.
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.

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. Striving to be more profitable than rivals by aiming for a competitive edge based on bigger profit margins
  - 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 regular adjustments in 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
- A. the ongoing need of company managers to react and respond to changing industry and competitive conditions.
  - B. the ongoing need to imitate the new strategic moves of the industry leaders.
  - C. the need to make regular adjustments in the company's strategic vision.
  - D. the importance of developing a fresh strategic plan every year.
  - E. the 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.

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/service is very clearly differentiated from the product/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.

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/planned initiatives and emergent/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/planned initiatives that have proven themselves in the marketplace and newly launched initiatives aimed at further boosting performance.
- B. emergent/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/planned initiatives that have proven themselves in the marketplace and newly launched initiatives aimed at further boosting performance and emergent/reactive adjustments to unanticipated strategic moves by rivals, unexpected changes in customer preferences, and new market opportunities.
- E. All of these.

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 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 "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/planned and partly emergent/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 is value creating producing excellence in company performance and is best when the gains are achieved.

- A. in profitability and financial strength.
- B. in competitive strength and market standing.
- C. in developing distinctive competencies and sustainability.
- D. in developing a desirable competitive edge.
- E. All of these

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 compatibility with desired outcomes on a regular basis.
  - 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/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 resulting in the development of additional competitive capabilities?
  - 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. Sustainable competitive advantage
- c. Business model

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 connection between a company's strategy and its quest for sustainable competitive advantage?

35. 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?

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

37. Why is a company's strategy partly proactive and partly reactive?

38. What are the two elements of a company's business model?

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

40. What are the three criteria for determining whether a company has a winning strategy?

41. Why is sustainable competitive advantage so important to a winning business strategy?

# Chapter 01 Strategy, Business Models, and Competitive Advantage

## Answer Key

### Multiple Choice Questions

1. Managers in all types of businesses must address the central strategic question:
- A. Where are we now?
  - B. Where do we want to go from here?
  - C. How are we going to get there?**
  - D. When will we know we are there?
  - E. All of these

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*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: What is Strategy*

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.

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*Difficulty: 2 Medium*

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*Topic: What Do We Mean by Strategy?*

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

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

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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.

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*Topic: What Do We Mean by Strategy?*

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

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*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: What Do We Mean by Strategy?*

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. Management actions to revise the company's financial and strategic performance targets**

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*Topic: What Do We Mean by Strategy?*

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.

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*Topic: What Do We Mean by 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.

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*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*

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.

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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.

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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.

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12. Proven approaches to winning a sustainable competitive advantage include which of the following?
- A. Strategies keyed to developing a low-cost-based advantage.
  - B. Strategies keyed to 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.

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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.
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- 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 regular adjustments in 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

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*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: Why a Company's Strategy Evolves over Time*

16. A company's strategy is a "work in progress" and evolves over time because of
- A.** the ongoing need of company managers to react and respond to changing industry and competitive conditions.
  - B. the ongoing need to imitate the new strategic moves of the industry leaders.
  - C. the need to make regular adjustments in the company's strategic vision.
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- C. make it very difficult for a company to have concrete strategic objectives.
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- 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.
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- 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/service is very clearly differentiated from the product/service offerings of rivals.
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*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: 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/planned initiatives and emergent/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.

*AACSB: Analytic*

*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: Why a Company's Strategy Evolves over Time*

22. A company's realized strategy is made up of
- A. deliberate/planned initiatives that have proven themselves in the marketplace and newly launched initiatives aimed at further boosting performance.
  - B. emergent/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/planned initiatives that have proven themselves in the marketplace and newly launched initiatives aimed at further boosting performance and emergent/reactive adjustments to unanticipated strategic moves by rivals, unexpected changes in customer preferences, and new market opportunities.
  - E. All of these.

*AACSB: Analytic*

*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: 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 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.

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*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 Its 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 "Where are we now?" "Where do we want to go?" and "How are we going to get there?".

*AACSB: Analytic*  
*Accessibility: Keyboard Navigation*  
*Blooms: Remember*  
*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 Its Business Model*

25. A viable business model includes a valuable customer value proposition that
- A. is always partly deliberate/planned and partly emergent/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.

*AACSB: Analytic*  
*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 Its 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.

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*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 Its 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.

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Difficulty: 2 Medium*

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

*Topic: Three Tests of a Winning Strategy*

28. A well-conceived strategy is value creating producing excellence in company performance and is best when the gains are achieved.

- A. in profitability and financial strength.
- B. in competitive strength and market standing.
- C. in developing distinctive competencies and sustainability.
- D. in developing a desirable competitive edge.
- E.** All of these

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Understand*

*Difficulty: 2 Medium*

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

*Topic: 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 compatibility with desired outcomes on a regular basis.
- 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.

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Understand*

*Difficulty: 2 Medium*

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

*Topic: 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/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 resulting in the development of additional competitive capabilities?
  - 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?

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Understand*

*Difficulty: 2 Medium*

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

*Topic: Three Tests of a Winning Strategy*

### Short Answer Questions

31. Briefly define each of the following terms:
- a. Strategy
  - b. Sustainable competitive advantage
  - c. Business model

Answer may vary

*AACSB: Analytic*

*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: What Do We Mean by Strategy?*

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

Answer may vary

*AACSB: Analytic*

*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: What Do We Mean by Strategy?*

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

Answer may vary

*AACSB: Analytic*

*Blooms: Understand*

*Difficulty: 3 Hard*

*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: What Do We Mean by Strategy?*

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

Answer may vary

*AACSB: Analytic  
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*

35. 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?

Answer may vary

*AACSB: Analytic  
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*

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

Answer may vary

*AACSB: Analytic  
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.*

37. Why is a company's strategy partly proactive and partly reactive?

Answer may vary

*AACSB: Analytic*

*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: Why a Company's Strategy Evolves over Time*

38. What are the two elements of a company's business model?

Answer may vary

*AACSB: Analytic*

*Blooms: Remember*

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

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

Answer may vary

*AACSB: Analytic*

*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 Its Business Model*

40. What are the three criteria for determining whether a company has a winning strategy?

Answer may vary

*AACSB: Analytic*

*Blooms: Remember*

*Difficulty: 2 Medium*

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

*Topic: Three Tests of a Winning Strategy*

41. Why is sustainable competitive advantage so important to a winning business strategy?

Answer may vary

*AACSB: Analytic*

*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.*

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

*Topic: Three Tests of a Winning Strategy*