

Chapter 1

Student name:: _____

Answers are at the end of each chapter

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

1) A good strategy is a set of actions that enables a firm to achieve its own internal goals without regard to the external environment.

- true
- false

2) The following statement by the chief executive of GoFlix movie studio is an effective strategy: “We will produce the greatest films of the 21st century.”

- true
- false

3) The three tasks of the AFI strategy framework are to Assemble a prototype, Find a buyer, and Incorporate feedback.

- true
- false

4) Questions asked during the strategy analysis stage of the AFI framework include “How does the firm make money?” and “What effects do forces in the external environment have on the firm’s potential to gain and sustain a competitive advantage?”

- true
- false

5) Once a strategy has been formulated and implemented, it is important that the firm sticks to it no matter what happens.

- true
- false

6) Because they are a crucial component of a firm's success, customers are considered internal stakeholders.

- true
- false

7) A firm is required by society and its shareholders to meet its ethical and philanthropic responsibilities.

- true
- false

8) Under the strategy as a planned emergence model, even entry-level employees can help generate strategic initiatives.

- Ⓐ true
- Ⓑ false

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

9) Tommy wants to open his own food truck but doesn't know anything about business. He needs help determining who his competition is, how he should craft his strategy to compete and how he'll implement his strategy to achieve a competitive advantage. He's hired you to help him get started. As a result, you know that you will probably use the

- A) AFI strategy framework.
- B) business model analysis.
- C) Six Sigma tool.
- D) Stakeholder Impact analysis.

10) Jill is interested in the concept of strategy and decides to create her own. As a result, Jill says that her strategy is to focus on growth and marketing to achieve competitive advantage. How would you evaluate Jill's statement?

- A) Jill's strategy makes sense and she should move forward with it.
- B) Jill's strategy reveals a clear strategic position and tradeoff, so she should proceed.
- C) Jill should reevaluate her statement because it fails to mention human resources and finance.
- D) Jill should reevaluate her statement because it fails to meet the principles of what a strategy should be.

11) Tony's Pizza Shop is able to net \$10,000 a week; this makes his shop profitable. His number one competitor, Leo's Pies is also profitable, netting \$12,000 a week. Lil Anthony's Pizza Palace nets \$13,000 a week. Since Tony's Pizza Shop is profitable, we can conclude that he has a competitive advantage in the industry.

- A) True—competitive advantage is achieved through profitability alone.
- B) True—competitive advantage is achieved since Tony has a positive net income.
- C) False—competitive advantage is only achieved by generating above average returns, relative to competition.
- D) False—Tony more than likely has a sustained competitive advantage since he's been in business longer.

12) Bill's Auto & Airplane Repair shop is able to generate a positive net income of \$10,000 a week; this is the industry average. We can conclude that since he has a positive net income, he also has a competitive parity in the industry.

- A) Correct—competitive advantage is achieved through profitability alone.
- B) Correct—competitive advantage is achieved since Bill's Auto & Airplane Repair shop has a positive net income.
- C) Correct—competitive parity is achieved by generating average returns, relative to competition in a given industry.
- D) Incorrect—Bill's Auto & Airplane Repair shop more than likely has a sustained competitive advantage since his business is diversified.

13) In order to better achieve a competitive advantage, firms must now adopt a holistic approach towards satisfying multiple stakeholders opposed to focusing on the needs of their stockholders. This integrative approach is referred to as

- A) stakeholder strategy.
- B) internal shareholder strategy.
- C) integration strategy.

D) exchange relationship strategy.

14) All of the following are external stakeholders except which of the following?

- A) customers
- B) creditors
- C) alliance partners
- D) competitors

15) John is a bit confused about the difference between stakeholders and stockholders. You meet with John and inform him that the main difference is that

- A) stakeholders are both internal and external to the firm while stockholders are considered external to the firm.
- B) stakeholders are considered internal to the firm while stockholders are external to the firm.
- C) stakeholders can be both internal and external while stockholders own shares of a firm and are classified as internal to the firm.
- D) stakeholders are external to the firm while stockholders are considered internal to the firm.

16) Which of the following three important stakeholder attributes should managers pay special close attention to in order to better understand stakeholder impact analysis?

- A) competitive advantage, economic value, and time
- B) power, legitimacy, and urgency
- C) grace under pressure, financial control, and reward power
- D) shareholder rights plan, board representation and CEO influence

17) Most consumers and investors today want the firms they do business with to look beyond just the profit motive. In fact, they want firms that behave legally and ethically while also giving back to their communities via philanthropic activities. The framework that attempts to reconcile these wants is known as

- A) corporate social responsibility.
- B) stakeholder impact analysis.
- C) business model analysis.
- D) value chain driven decision making.

18) Which of the following terms describes the guiding policy to address the competitive challenge, and uses corporate- and business-level strategy?

- A) analysis
- B) formulation
- C) implementation
- D) competitive advantage

19) In strategic management, strategists engage in three pillars. Which of the following is *not* one of these three pillars?

- A) the implementation of major goals and objectives
- B) the analysis of major goals and objectives
- C) the formulation of major goals and objectives
- D) the unification of major goals and objectives

- 20)** Which of the following tasks in the AFI strategy framework involves evaluating the internal and external environments in which a firm operates?
- A) analysis
 - B) formulation
 - C) implementation
 - D) competitive advantage
- 21)** The goal of a good strategy is focused primarily on
- A) creating superior value while containing costs.
 - B) making as much money as possible.
 - C) employing lean manufacturing and Six Sigma.
 - D) encouraging investors to buy more shares of the firm.
- 22)** The AFI framework (analysis, formulation, implementation) affects a firm at nearly every level. Which of the following would be classified as the top level of strategy within a firm?
- A) the functional level
 - B) the business level
 - C) the operational level
 - D) the corporate level
- 23)** A successful strategy details a set of goal-directed actions that managers make to gain and sustain a competitive advantage; in order to create this strategy, managers must focus on three pillars. Which of the following below is *not* one of these pillars?