***Strategic Management, 4e* (Rothaermel)**

**Chapter 1 What Is Strategy?**

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.

Answer: FALSE

Explanation: The success of a strategy heavily depends on the external environment. A good strategy is a set of actions that enables a firm to achieve superior performance relative to its competitors. In this light, a strategy which produces only a minor loss of revenues while competitors suffer heavy losses can be seen as successful.

Difficulty: 2 Medium

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-01 Explain the role of strategy in a firm's quest for competitive advantage.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

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

Answer: FALSE

Explanation: Grandiose statements are not strategy. Although SunStar's vision of producing the highest-quality films among all studios may lay the foundation for an effective strategy, it must be backed up by a clear set of actions that will allow the firm to address the competitive challenge with clear consideration of value creation and costs.

Difficulty: 2 Medium

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-02 Define competitive advantage, sustainable competitive advantage, competitive disadvantage and competitive parity.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

3) A vision describes in broad, inspirational terms what an organization hopes to accomplish in the future.

Answer: TRUE

Explanation: A vision captures an organization's aspiration and spells out what it ultimately wants to accomplish. An effective vision pervades the organization with a sense of winning and motivates employees at all levels to aim for the same target, while leaving room for individual and team contributions.

Difficulty: 1 Easy

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-03 Describe the roles of vision, mission, and values in a firm's strategy.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

4) A mission describes how a firm will accomplish the broad goals set out in a vision statement.

Answer: TRUE

Explanation: A mission describes what an organization actually does—that is, the products and services it plans to provide, and the markets in which it will compete. It defines how the vision is accomplished and is often introduced with the preposition by.

Difficulty: 1 Easy

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-03 Describe the roles of vision, mission, and values in a firm's strategy.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

5) Product-oriented vision statements are better suited than customer-oriented vision statements for helping companies to adapt to changes in the external environment.

Answer: FALSE

Explanation: Product-oriented vision statements often constrain the ability of a firm to respond to changes in the external environment by focusing employees on improving existing products and services without consideration of underlying customer problems to be solved. A customer-oriented vision helps firms respond to changes in the external environment by defining the business in terms of providing solutions to customer needs.

Difficulty: 2 Medium

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-04 Evaluate the strategic implications of product-oriented and customer-oriented vision statements.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

6) Core values provide ethical guidelines for how individual employees will behave.

Answer: TRUE

Explanation: Organizational core values are the ethical standards and norms that govern the behavior of individuals within a firm or organization.

Difficulty: 2 Medium

Topic: Leaders Role in Establishing a Firm's Ethical Climate

Learning Objective: 01-05 Justify why anchoring a firm in ethical core values is essential for long-term success.

Bloom's: Remember

AACSB: Ethics

Accessibility: Keyboard Navigation

7) Managers should create two sets of core values, one for employees and one for themselves.

Answer: FALSE

Explanation: Employees tend to follow values practiced by strategic leaders. They observe the day-to-day decisions of top managers and quickly decide whether managers are merely paying lip service to the company's stated values. Organizational core values must be lived with integrity, especially by the top management team.

Difficulty: 1 Easy

Topic: Leaders Role in Establishing a Firm's Ethical Climate

Learning Objective: 01-05 Justify why anchoring a firm in ethical core values is essential for long-term success.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

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

Answer: FALSE

Explanation: The three tasks of the AFI strategy framework are to Analyze, Formulate, and Implement. This framework (1) explains and predicts differences in firm performance, and (2) helps managers formulate and implement a strategy grounded in internal and external analysis that can result in superior performance.

Difficulty: 2 Medium

Topic: The Strategic Role of Managers in Strategy Formulation and Implementation

Learning Objective: 01-06 Explain the AFI strategy framework.

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

9) 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?"

Answer: TRUE

Explanation: Strategy analysis involves consideration of both the firm's internal and external environments, and the role that strategic managers play in establishing and maintaining a competitive advantage.

Difficulty: 3 Hard

Topic: The Strategic Role of Managers in Strategy Formulation and Implementation

Learning Objective: 01-06 Explain the AFI strategy framework.

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

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

Answer: FALSE

Explanation: Strategic leaders make decisions under conditions of uncertainty and complexity. They must carefully monitor and evaluate the progress toward key strategic objectives and make adjustments by fine-tuning any strategy as necessary.

Difficulty: 2 Medium

Topic: The Strategic Role of Managers in Strategy Formulation and Implementation

Learning Objective: 01-06 Explain the AFI strategy framework.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

11) Which of the following strategies does Tesla need to implement or achieve to gain a competitive advantage?

A) imitate the features of the most popular SUVs on the market

B) reinvest profits to build successively better electric automobiles

C) sell advertising space on their cars' digital displays

D) substitute less-expensive components to keep costs low

Answer: B

Explanation: As mentioned in Chapter Case 1, Tesla has consistently reinvested its profits to build successively better models of electric cars while keeping its strategy secret from competitors.

Difficulty: 2 Medium

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-01 Explain the role of strategy in a firm's quest for competitive advantage.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

12) \_\_\_\_\_\_\_\_ is best described as an integrative management field that combines analysis, formulation, and implementation in the quest for competitive advantage.

A) Supply chain management

B) Integrated technology management

C) Strategic management

D) Inventory management

Answer: C

Explanation: Strategic management is the integrative management field that combines analysis, formulation, and implementation in the quest for competitive advantage. Mastery of strategic management enables an individual to view a firm in its entirety. It also enables an individual to think like a general manager to help position his or her firm for superior performance.

Difficulty: 1 Easy

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-01 Explain the role of strategy in a firm's quest for competitive advantage.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

13) \_\_\_\_\_\_\_\_ is best described as a set of goal-directed actions a firm takes to gain and sustain superior performance relative to competitors.

A) Behavior modification

B) Strategy

C) Credo

D) Competency management

Answer: B

Explanation: Strategy is a set of goal-directed actions a firm takes to gain and sustain superior performance relative to competitors.

Difficulty: 1 Easy

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-01 Explain the role of strategy in a firm's quest for competitive advantage.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

14) Which of the following stages of the strategic management process involves an evaluation of a firm's external and internal environments?

A) strategy analysis

B) strategy implementation

C) strategy formulation

D) strategy control

Answer: A

Explanation: A good strategy consists of a diagnosis of the competitive challenge. This element is accomplished through strategy analysis of the firm's external and internal environments.

Difficulty: 2 Medium

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-01 Explain the role of strategy in a firm's quest for competitive advantage.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

15) In \_\_\_\_\_\_\_\_, a firm frames a guiding policy to address the competitive challenge.

A) strategy control

B) strategy implementation

C) strategy formulation

D) strategy analysis

Answer: C

Explanation: A good strategy includes a guiding policy to address the competitive challenge. This element is accomplished through strategy formulation, resulting in the firm's corporate, business, and functional strategies.

Difficulty: 1 Easy

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-01 Explain the role of strategy in a firm's quest for competitive advantage.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

16) Through \_\_\_\_\_\_\_\_, a firm puts its guiding policy into practice by employing a set of coherent actions.

A) strategy control

B) strategy implementation

C) strategy formulation

D) strategy analysis

Answer: B

Explanation: A good strategy includes a set of coherent actions to implement the firm's guiding policy. This element is accomplished through strategy implementation.

Difficulty: 1 Easy

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-01 Explain the role of strategy in a firm's quest for competitive advantage.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

17) Which of the following is an element of good strategy?

A) a summary of the firm's history within its industry

B) a guiding policy to address employee satisfaction

C) a set of coherent actions to implement the firm's guiding policy

D) an approach that underestimates the competition

Answer: C

Explanation: A good strategy consists of a diagnosis of the competitive challenge, a guiding policy to address the competitive challenge, and a set of coherent actions to implement the firm's guiding policy.

Difficulty: 2 Medium

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-01 Explain the role of strategy in a firm's quest for competitive advantage.

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

18) Green Jeans, Inc. had a mission to become the leading producer of environmentally friendly blue jeans, an emerging and in-demand category in the apparel industry. Its strategy involved leveraging a network of organic cotton farmers and suppliers of environmentally responsible synthetic materials to create a product that is durable, attractive, affordable, and 100% recyclable. However, because it did not upgrade its outdated production facilities, Green Jeans could not assemble its products at a low-enough cost to offer the jeans at a price that was attractive to customers. Green Jeans' strategy failed because

A) it failed to consider the competitive challenge.

B) it was not backed up with strategic commitments.

C) managers did not live by the company's core values.

D) the company did not stake out a unique strategy position.

Answer: B

Explanation: A formulated strategy must be backed up with strategic commitments, or actions to achieve the mission that are costly, long-term oriented, and difficult to reverse. Green Jeans failed to invest in upgrading its production facilities, leaving it unable to produce its jeans at a low-enough cost to achieve a competitive advantage.

Difficulty: 3 Hard

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-01 Explain the role of strategy in a firm's quest for competitive advantage.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

19) Which of the following is an example of competitive parity?

A) A firm manufactures higher-quality wall clocks than its competitors.

B) A firm provides wall clocks that its consumers value more than other wall clocks.

C) A firm sells wall clocks at a lower price than its competitors.

D) A firm produces a similar number of wall clocks at a similar cost as its competitors.

Answer: D

Explanation: Two or more firms performing at the same level have competitive parity. Therefore, a firm has competitive parity if it produces wall clocks at the same rate as its competitors.

Difficulty: 2 Medium

Topic: Competitive Advantage

Learning Objective: 01-02 Define competitive advantage, sustainable competitive advantage, competitive disadvantage and competitive parity.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

20) A firm that achieves superior performance relative to other firms in the same industry or the industry average has a(n)

A) competitive advantage.

B) balanced scorecard.

C) power position.

D) equity leverage.

Answer: A

Explanation: A firm that achieves superior performance relative to other competitors in the same industry or the industry average has a competitive advantage.

Difficulty: 1 Easy

Topic: Competitive Advantage

Learning Objective: 01-02 Define competitive advantage, sustainable competitive advantage, competitive disadvantage and competitive parity.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

21) Powell Lighting was the first company to start selling LED light bulbs in its country—a product that gained popularity among diverse groups. Soon, other companies started to sell their own brands of LED bulbs, thereby giving Powell Lighting ample competition. In response, Powell Lighting decided to limit its LED light bulbs to outdoor models. However, it ensured that these models were the longest-lasting and lowest-priced on the market. With this innovation, Powell Lighting consistently outperformed its competitors for ten years. In this scenario, Powell Lighting maintained a \_\_\_\_\_\_\_\_ through its innovative strategy.

A) balanced scorecard

B) fiduciary responsibility

C) consistent power position

D) sustainable competitive advantage

Answer: D

Explanation: In this scenario, Powell Lighting maintained a sustainable competitive advantage through its innovative strategy. A firm that is able to outperform its competitors or the industry average over a prolonged period of time has a sustainable competitive advantage.

Difficulty: 3 Hard

Topic: Strategic Approaches to Winning a Sustainable Competitive Advantage

Learning Objective: 01-02 Define competitive advantage, sustainable competitive advantage, competitive disadvantage and competitive parity.

Bloom's: Analyze

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

22) Which of the following scenarios illustrates a firm that has a sustainable competitive advantage?

A) Jamison Inc. generated revenue of $300,000 this financial year, which is close to the industrial revenue average of $320,000.

B) CR Inc. almost doubled its sales to 9,000 units this year compared to its previous year's sales of 5,000 units, though the industry average is 10,000 units.

C) Zhang Corp. was able to hold its market share of 68 percent in the social networking industry for more than three years.

D) Peak Inc. was able to outperform its competitors with its new production system, in terms of revenue, for a brief period of four months.

Answer: C

Explanation: A firm that is able to outperform its competitors or the industry average over a prolonged period of time has a sustainable competitive advantage. Thus, Zhang Corp. has a sustainable competitive advantage because it has been able to hold its market share of 68 percent in the social networking industry for more than three years.

Difficulty: 2 Medium

Topic: Strategic Approaches to Winning a Sustainable Competitive Advantage

Learning Objective: 01-02 Define competitive advantage, sustainable competitive advantage, competitive disadvantage and competitive parity.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

23) If Zephyr Electronics obtains an 18 percent return on invested capital, which of the following will help determine if it has a competitive advantage over other pharmaceutical companies?

A) comparing the return to the return on invested capital obtained by other firms in the industry

B) assessing the value based on the shareholders' expectations of return on their capital

C) evaluating the liquidity ratios for other pharmaceutical companies

D) comparing the value to the history of the firm's return of investment over a number of years

Answer: A

Explanation: Comparing the return to the return on invested capital obtained by other firms in the industry will help determine if Zephyr Electronics has a competitive advantage. Competitive advantage is always relative, not absolute.

Difficulty: 3 Hard

Topic: Competitive Advantage

Learning Objective: 01-02 Define competitive advantage, sustainable competitive advantage, competitive disadvantage and competitive parity.

Bloom's: Analyze

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

24) Underperformance relative to other firms in the same industry or the industry average results in a(n) \_\_\_\_\_\_\_\_ for a firm.

A) sustainable competitive advantage

B) increased power distance

C) diseconomies of scope

D) competitive disadvantage

Answer: D

Explanation: If a firm underperforms relative to its rivals or the industry average, it has a competitive disadvantage.

Difficulty: 1 Easy

Topic: Competitive Advantage

Learning Objective: 01-02 Define competitive advantage, sustainable competitive advantage, competitive disadvantage and competitive parity.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

25) Mainline Ltd. is a landline telephone manufacturer whose average return on invested capital is approximately 2 percent. Because demand for landline telephones has declined significantly, the industry average return on invested capital has been negative (–5 percent) for the last few years. In this scenario, Mainline Ltd. has a

A) competitive advantage.

B) balanced scorecard.

C) competitive disadvantage.

D) power position.

Answer: A

Explanation: If a firm's return on invested capital is 2 percent in a declining industry such as telephone manufacturing, where the industry average has been negative (-5 percent) for the last few years, then the firm has a competitive advantage.

Difficulty: 3 Hard

Topic: Competitive Advantage

Learning Objective: 01-02 Define competitive advantage, sustainable competitive advantage, competitive disadvantage and competitive parity.

Bloom's: Analyze

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

26) Rapida Inc. and Click Inc. are two companies that have been manufacturing typewriters for almost 30 years. Due to the reduced demand for typewriters today, both companies' average return on invested capital is approximately –5 percent. The current industry average is 2 percent. In this scenario, Rapida Inc. and Click Inc. most likely have

A) competitive advantage over other firms in their industry.

B) competitive parity with each other.

C) strategic alliance with each other.

D) economies of scope instead of economies of scale.

Answer: B

Explanation: In this scenario, Rapida Inc. and Click Inc. most likely have competitive parity with each other. Competitive parity refers to the performance of two or more firms at the same level.

Difficulty: 3 Hard

Topic: Competitive Advantage

Learning Objective: 01-02 Define competitive advantage, sustainable competitive advantage, competitive disadvantage and competitive parity.

Bloom's: Analyze

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

27) The average cost of production for a bottle of vitamin water in the industry is $4 while its average price is $7. StoreAll Inc. manufactures the same product for $3 per bottle and sells it for $7 per bottle. Which of the following statements is most likely true of StoreAll Inc. in this scenario?

A) It has a competitive advantage in the industry.

B) It has a competitive disadvantage in the industry.

C) It has competitive parity with other firms in the industry.

D) It has formed a strategic alliance with other firms in the industry.

Answer: A

Explanation: StoreAll Inc. most likely has a competitive advantage in the industry. A firm that achieves superior performance relative to other competitors in the same industry or the industry average has a competitive advantage.

Difficulty: 3 Hard

Topic: Competitive Advantage

Learning Objective: 01-02 Define competitive advantage, sustainable competitive advantage, competitive disadvantage and competitive parity.

Bloom's: Analyze

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

28) A firm is said to gain a competitive advantage when it can

A) exceed its own previous performances.

B) provide products similar to its competitors, but at lower prices.

C) perform at the same level as that of its competitors.

D) minimize the difference between value creation and cost.

Answer: B

Explanation: To gain a competitive advantage, a firm needs to provide either goods or services consumers value more highly than those of its competitors, or goods or services similar to the competitors' at a lower price.

Difficulty: 2 Medium

Topic: Competitive Advantage

Learning Objective: 01-02 Define competitive advantage, sustainable competitive advantage, competitive disadvantage and competitive parity.

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

29) FindFor Inc. is an e-commerce retail firm that sells a variety of merchandise online. Through services like cash on delivery, easy return, and online tracking, the company has created more customer value than its competitors (brick-and-mortar businesses) at the same price. Also, the company's costs are substantially lower than its competitors because of minimal investments in operation and administration. In this scenario, FindFor Inc. has most likely been able to provide superior value and cost control through

A) strategic parity.

B) strategic profiling.

C) strategic liquidation.

D) strategic positioning.

Answer: D

Explanation: In this scenario, FindFor Inc. has been able to provide superior value and control its costs through strategic positioning. Strategy is about creating superior value, while containing the cost to create it. Managers achieve this combination of value and cost through strategic positioning. That is, they stake out a unique position within an industry that allows the firm to provide value to customers, while controlling costs.

Difficulty: 3 Hard

Topic: Strategic Approaches to Winning a Sustainable Competitive Advantage

Learning Objective: 01-02 Define competitive advantage, sustainable competitive advantage, competitive disadvantage and competitive parity.

Bloom's: Analyze

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

30) As the strategic manager of CutRite Scissors, you are tasked with producing a strategy for introducing a new line of premium scissors. Your competitor produces a line of similar scissors at a cost of $1 and sells them for $12. Because your company has inferior production capabilities, your scissors will cost $3 each to produce. However, your handle is proven to be more comfortable than your competitors'. Assuming you are guaranteed to sell the same number of units as your competitor, which of the following strategies is most likely to achieve a competitive advantage?

A) Reduce the quality of materials used in CutRite scissors to bring unit costs down to $1, then sell the scissors for $12.

B) Continue to produce CutRite scissors for $3 but set the price at $10.

C) Offer a buy-one-get-one-free sale on CutRite scissors.

D) Market CutRite scissors as a higher-quality alternative and sell them for $15.

Answer: D

Explanation: By emphasizing the quality and comfort of CutRite scissors, you differentiate the product and create superior value for customers. Although your scissors are more expensive to make at $3 each, the increased perceived value of your product allows you to sell them for $15, making the difference between value creation and cost greater than your competitor's. The greater the difference between value creation and cost, the greater the firm's economic contribution and the more likely it will gain competitive advantage.

Difficulty: 3 Hard

Topic: Competitive Advantage

Learning Objective: 01-02 Define competitive advantage, sustainable competitive advantage, competitive disadvantage and competitive parity.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

31) A firm *always* has a competitive disadvantage when its return on invested capital is

A) below the industry average.

B) 2 percent or lower in a declining industry.

C) about the same as its closest competitor.

D) declining steadily over two or more years.

Answer: A

Explanation: A firm always has a competitive disadvantage when its return on invested capital is below the industry average.

Difficulty: 2 Medium

Topic: Competitive Advantage

Learning Objective: 01-02 Define competitive advantage, sustainable competitive advantage, competitive disadvantage and competitive parity.

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

32) Silver Screen Cinemas Inc. and Digi Now Inc. are two companies that own and run movie theaters in malls and other commercial areas. While Silver Screen Cinemas Inc. pursues a cost-leadership strategy, Digi Now Inc. adopts a differentiation strategy. Which of the following statements is most likely true of this scenario?

A) Silver Screen Cinemas will charge a premium price for its customers, while Digi Now will implement everyday low pricing.

B) Digi Now and Silver Screen Cinemas will not be direct competitors to each other, and their customer segments will overlap very little.

C) Digi Now will keep its customer service at an acceptable level, while Silver Screen Cinemas will provide superior customer service.

D) Silver Screen Cinemas and Digi Now will use a similar approach to create value for customers by attempting to offer everything to everybody.

Answer: B

Explanation: Although these companies are in the same industry, their customer segments will most likely overlap very little, and they will not be direct competitors. That is because each firm has chosen a distinct but different strategic position; both can win if they have a distinct and well-executed competitive strategy.

Difficulty: 2 Medium

Topic: Strategic Approaches to Winning a Sustainable Competitive Advantage

Learning Objective: 01-02 Define competitive advantage, sustainable competitive advantage, competitive disadvantage and competitive parity.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

33) For a firm that operates in an industry where competition is high, which of the following practices will result in inferior performance?

A) choosing a distinct but different strategic position in the industry

B) working toward increasing the difference between value creation and cost

C) trying to be everything to everybody by combining different competitive strategies

D) focusing on creating value for customers rather than destroying rivals

Answer: C

Explanation: Because resources are limited, managers must carefully consider their strategic choices in the quest for competitive advantage. Trying to be everything to everybody will likely result in inferior performance. Although the idea of combining different business strategies seems appealing, it is actually quite difficult to execute.

Difficulty: 2 Medium

Topic: Strategic Approaches to Winning a Sustainable Competitive Advantage

Learning Objective: 01-02 Define competitive advantage, sustainable competitive advantage, competitive disadvantage and competitive parity.

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

34) If a company wants to gain a competitive advantage in a highly competitive industry, it should ideally

A) execute an integrated cost-leadership and differentiation position.

B) copy the strategies of other firms through competitive benchmarking.

C) provide goods or services similar to its competitors at higher prices.

D) stake out a unique position within the industry.

Answer: D

Explanation: The key to successful strategy is to combine a set of activities to stake out a unique position within an industry. Competitive advantage has to come from performing different activities or performing the same activities differently than rivals are doing. Competing to be similar but just a bit better than a competitor is likely to be a recipe for cutthroat competition and low profit potential.

Difficulty: 2 Medium

Topic: Strategic Approaches to Winning a Sustainable Competitive Advantage

Learning Objective: 01-02 Define competitive advantage, sustainable competitive advantage, competitive disadvantage and competitive parity.

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

35) Jake's Taxi Service is a new entrant to the taxi industry. It has achieved success by staking out a unique position in the industry. How did Jake's Taxi Service mostly likely achieve this position?

A) providing long-distance cab fares at a higher rate than competitors; servicing a larger area than competitors

B) providing long-distance cab fares at a lower rate than competitors; servicing a smaller area than competitors

C) providing long-distance cab fares at a higher rate than competitors; servicing the same area as competitors

D) providing long-distance cab fares at a lower rate than competitors; servicing the same area as competitors

Answer: D

Explanation: Jake's Taxi Service achieved a unique position in the industry by providing long-distance cab fares at a lower rate than competitors while servicing the same area as competitors. To stake out a unique position, a company must either perform the same activities as competitors in a way that is better for customers or perform different activities. Also, this company must provide an advantage for customers without trading the benefit with a disadvantage.

Difficulty: 3 Hard

Topic: Strategic Approaches to Winning a Sustainable Competitive Advantage

Learning Objective: 01-02 Define competitive advantage, sustainable competitive advantage, competitive disadvantage and competitive parity.

Bloom's: Analyze

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

36) Noodles 2 Go and Sal's Trattoria are two restaurants serving Italian cuisine. While Noodles 2 Go focuses on providing quick, affordable pasta dishes for the lunch crowd, Sal's Trattoria focuses on serving home-style dishes in an upscale, romantic setting. Both companies have been able to gain a competitive advantage. This is most likely because the companies have

A) benefitted from economies of scale.

B) entered into a cartel arrangement.

C) pursued distinct strategic positions.

D) engaged in direct imitation and substitution.

Answer: C

Explanation: In this scenario, the two firms have gained a competitive advantage by pursuing distinct strategic positions. Cost-leadership and differentiation are distinct strategic positions. The key to successful strategy is to combine a set of activities to stake out a unique position within an industry.

Difficulty: 2 Medium

Topic: Strategic Approaches to Winning a Sustainable Competitive Advantage

Learning Objective: 01-02 Define competitive advantage, sustainable competitive advantage, competitive disadvantage and competitive parity.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

37) Which of the following is an implication of all firms in an industry pursuing a low-cost position through application of competitive benchmarking?

A) No firm would face direct competition from others in the industry; hence, profit potential would be high.

B) Each firm would be catering to a different customer segment.

C) The firms would eventually have no resources to invest in product and process improvements.

D) Each firm would be in a better position to gain a competitive advantage.

Answer: C

Explanation: If all firms in the same industry pursued a low-cost position through application of competitive benchmarking, all firms would have identical cost structures. None could gain a competitive advantage. There would be little if any value creation for customers because companies would have no resources to invest in product and process improvements.

Difficulty: 2 Medium

Topic: Strategic Approaches to Winning a Sustainable Competitive Advantage

Learning Objective: 01-02 Define competitive advantage, sustainable competitive advantage, competitive disadvantage and competitive parity.

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

38) Toy sales have declined by 10 percent each year, forcing many retailers to exit the industry. To eliminate its remaining competition, Bleaker Toys sells all of its product at a loss and relies on its significant cash holdings to cover costs until its competition is forced to exit the industry. Is this an example of a successful strategy? Why or why not?

A) Yes. Any strategy that forces competition from the market is by definition successful.

B) Yes. Bleaker has achieved a sustainable competitive advantage by selling its toys at a lower price than competitors.

C) No. Bleaker has failed to create value for its customers.

D) No. Bleaker's strategy and competitive advantage are unsustainable.

Answer: D

Explanation: Strategy is not a zero-sum game. Competition focuses on creating value for customers rather than destroying rivals. Although Bleaker Toys has created temporary value for its customers by offering its goods below cost, the advantage it achieved is unsustainable. When Bleaker runs out of cash to cover its operating expenses, it will no longer be able to offer its toys at such a low cost and will either be forced to raise prices or exit the industry.

Difficulty: 2 Medium

Topic: Strategic Approaches to Winning a Sustainable Competitive Advantage

Learning Objective: 01-02 Define competitive advantage, sustainable competitive advantage, competitive disadvantage and competitive parity.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

39) Which of the following statements should ideally reflect a firm's strategy for competitive advantage?

A) Our strategy is to win at any cost.

B) We will be number one in the industry.

C) Our aim is to create superior customer value while controlling costs.

D) We want to be the market leader by replicating our competitor's strategy.

Answer: C

Explanation: The statement that should ideally reflect a firm's strategy for competitive advantage is "Our aim is to create superior customer value while controlling costs." Strategy is about creating superior value, while containing the cost to create it. Grandiose statements are not strategy; they provide little managerial guidance and frequently fail to address the economic fundamentals.

Difficulty: 2 Medium

Topic: Strategic Approaches to Winning a Sustainable Competitive Advantage

Learning Objective: 01-02 Define competitive advantage, sustainable competitive advantage, competitive disadvantage and competitive parity.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

40) Cobalt Sodas has seen its market share erode in recent years, as consumers increasingly turn toward healthier beverage choices such as unsweetened sparkling water. Hoping to rekindle interest in sugary sodas, Cobalt decides to produce a limited run of "throwback" cans using labeling first introduced in the 1980s. What is wrong with this strategy?

A) It fails to face the competitive challenge.

B) It does not involve concrete actions.

C) It lacks strategic commitments.

D) It tries to be everything to everybody.

Answer: A

Explanation: Cobalt's strategy fails to face the competitive challenge of changing consumer tastes. Instead of trying to give customers what they want by producing its own line of sparkling waters, Cobalt simply continues to produce the same sugary sodas and is likely to see its market share continue to decline.

Difficulty: 2 Medium

Topic: Strategic Approaches to Winning a Sustainable Competitive Advantage

Learning Objective: 01-02 Define competitive advantage, sustainable competitive advantage, competitive disadvantage and competitive parity.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

41) The Founder of Teach for America, Wendy Kopp, wants to make teaching an attractive option for promising young professionals. Identify the phrase that represents the vision she developed for Teach for America.

A) to improve standardized test scores across the board

B) to cut wasteful spending from education budgets

C) to encourage parents to take a more active role in their children's education

D) to give all children in the United States the opportunity to attain an excellent education.

Answer: D

Explanation: A vision is a statement about what an organization ultimately wants to accomplish; it captures the company's aspiration. Wendy Kopp, founder of Teach for America, declared the organization's vision to be "One day, all children in this nation will have the opportunity to attain an excellent education." By developing this vision, she helped to attract promising college graduates and get them interested in teaching. Klopp's vision attempts to inspire the best and brightest young professionals to contribute to society by becoming teachers.

Difficulty: 1 Easy

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-03 Describe the roles of vision, mission, and values in a firm's strategy.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

42) The Founder of Teach for America, Wendy Kopp, established a mission by building on her vision, which is "One day, all children in this nation will have the opportunity to attain an excellent education." Considering this, how did Klopp implement the mission of Teach for America?

A) by enlisting talented young professionals as teachers

B) by offering funds to increase the salaries of low-income teachers

C) by starting her own line of private schools

D) by starting a fundraising campaign to improve school infrastructure

Answer: A

Explanation: Building on the vision, organizations establish a mission, which describes what an organization actually does—that is, the products and services it plans to provide, and the markets in which it will compete. A mission defines the means "by" which vision is accomplished. Wendy Kopp, the founder of Teach for America, built on her vision by enlisting, developing, and mobilizing as many as possible of our nation's most promising future leaders to grow and strengthen the movement for educational equity and excellence.

Difficulty: 2 Medium

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-03 Describe the roles of vision, mission, and values in a firm's strategy.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

43) The first step to gain and sustain a competitive advantage is to

A) define a firm's vision, mission, and values.

B) understand the strategies of the competitors.

C) put the guiding policies of a firm into practice.

D) develop functional and business-level strategies.

Answer: A

Explanation: The first step to gain and sustain a competitive advantage is to define a firm's vision, mission, and values. With these principles in place, strategic leaders consider how to formulate strategy across different levels: corporate, business, and functional.

Difficulty: 1 Easy

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-03 Describe the roles of vision, mission, and values in a firm's strategy.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

44) Free Winds, Inc. is a company that manufactures a variety of generators that run on wind power. The company envisions that wind technology will replace all forms of exhaustible energy sources in the near future. Which of the following statements will make an accurate vision for Free Winds?

A) We make products that run on wind energy.

B) All nations around the globe should be able to provide energy produced by sustainable sources.

C) The company aims to make working fun and pleasurable for its employees.

D) We provide energy-efficient sources and services by investing in research and innovation.

Answer: B

Explanation: "In the future, all nations around the globe should have access to a sustainable energy source." will make an appropriate vision statement for Free Winds Inc. An effective vision talks about what an organization ultimately wants to accomplish; it captures the company's aspiration.

Difficulty: 2 Medium

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-03 Describe the roles of vision, mission, and values in a firm's strategy.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

45) True Help is a nonprofit organization that works toward rehabilitating the homeless. The credo of the organization is "help us help you." For an organization like True Help, which of the following statements would make an appropriate mission?

A) Help us help you find a home.

B) One day, everyone in this nation will have a home to protect themselves.

C) We help the homeless gain and sustain financial independence by providing employment opportunities.

D) Our mission is to turn this not-for-profit organization into a for-profit organization so that the stakeholders benefit.

Answer: C

Explanation: Building on the vision, organizations establish a mission, which describes what an organization actually does—that is, the products and services it plans to provide, and the markets in which it will compete. "We help the homeless gain and sustain financial independence by providing employment opportunities" would make an appropriate mission for True Help.

Difficulty: 2 Medium

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-03 Describe the roles of vision, mission, and values in a firm's strategy.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

46) Strategic commitments are actions that are

A) inexpensive.

B) long-term oriented.

C) easy to reverse.

D) easy to imitate.

Answer: B

Explanation: To be effective, firms need to back up their visions and missions with strategic commitments, actions that are costly, long-term-oriented, and difficult to reverse. The company's vision needs to be backed up by a powerful strategic commitment. Without such commitments, a firm's vision and mission statements are just words.

Difficulty: 1 Easy

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-03 Describe the roles of vision, mission, and values in a firm's strategy.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

47) Visionary companies are able to outperform their competitors because

A) their vision statements are more product-oriented.

B) they provide more aspirational visions.

C) their visions are primarily financial.

D) they isolate internal stakeholders in defining their visions.

Answer: B

Explanation: An inspiring vision helps employees find meaning in their work, beyond monetary rewards. It allows employees to experience a greater sense of purpose and taps into people's intrinsic motivations to make the world a better place through their work activities. Visionary companies provide more aspirational ideas that are not exclusively financial.

Difficulty: 1 Easy

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-03 Describe the roles of vision, mission, and values in a firm's strategy.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

48) To be effective, firms need to

A) back up their visions with strategic commitments that are costly and difficult to reverse.

B) increase their strategic flexibility by developing product-oriented vision statements.

C) isolate top managers from the organizational values.

D) pursue visions that are exclusively financial and not aspirational.

Answer: A

Explanation: To be effective, firms need to back up their visions and missions with strategic commitments, actions that are costly, long-term-oriented, and difficult to reverse.

Difficulty: 1 Easy

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-03 Describe the roles of vision, mission, and values in a firm's strategy.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

49) Strategic commitments are actions that are

A) inexpensive, long-term oriented, and difficult to reverse.

B) inexpensive, short-term oriented, and easy to reverse.

C) costly, long-term oriented, and difficult to reverse.

D) costly, short-term oriented, and easy to reverse.

Answer: C

Explanation: Strategic commitments are actions that are costly, long-term oriented, and difficult to reverse.

Difficulty: 1 Easy

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-03 Describe the roles of vision, mission, and values in a firm's strategy.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

50) Fuentes Electronics is a major manufacturer of microwave ovens. Which of the following statements will best inspire the organization with a shared vision for Fuentes Electronics?

A) At Fuentes Electronics, employees know that they will make a competitive wage.

B) At Fuentes Electronics, employees at all levels are motivated to make the best microwave ovens on the market.

C) At Fuentes Electronics, employees want to create a cheaper microwave oven than our closest competitor does.

D) At Fuentes Electronics, employees can trust our managers to steer company.

Answer: B

Explanation: A strong vision pervades the organization with a sense of winning and motivates employees at all levels to aim for the same target. Therefore, all employees at Fuentes Electronics being motivated to make the best microwaves ovens on the market reflects a strong vision. Also, a vision captures an organization's aspiration and spells out what it ultimately wants to accomplish. In addition, it helps employees find meaning in their work.

Difficulty: 2 Medium

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-03 Describe the roles of vision, mission, and values in a firm's strategy.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

51) Which of the following summarizes the difference between a firm's vision and mission?

A) A vision states what a firm wants to accomplish; a mission states how a firm plans to accomplish this vision.

B) A vision states the ethical values of a firm; a mission states the monetary goals of a firm.

C) A vision states how much a firm wants to earn; a mission states how these earnings will be accomplished.

D) A vision states the management values of a firm; a mission states the values of the other workers.

Answer: A

Explanation: A vision defines what an organization wants to accomplish ultimately. A mission describes how the vision is accomplished.

Difficulty: 2 Medium

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-03 Describe the roles of vision, mission, and values in a firm's strategy.

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

52) Soil and Sod Gardening Supplies has a vision of helping every American learn how to grow their own food. Its management team recently unveiled the mission statement "A garden at every home." What is wrong with this mission statement?

A) It does not indicate how the company will accomplish its goals.

B) It does not include a stretch goal.

C) It is not inspirational and motivating for employees.

D) It is too specific.

Answer: A

Explanation: A mission describes what an organization does; it defines how the vision is accomplished and is often introduced with the preposition by. Soil and Sod's mission statement does not indicate how the company will achieve its goal of helping to place a garden at every home, and is thus more suited as a vision statement.

Difficulty: 3 Hard

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-03 Describe the roles of vision, mission, and values in a firm's strategy.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

53) Upper management at Softstep Inc., a manufacturer of insoles for shoes, wants to work on improving the product lines it already has without taking on other challenges at this time. Which of the following vision statements reflects that goal?

A) Softstep Inc. wants to adapt their insoles to the changing demands of consumers.

B) Softstep Inc. wants to always satisfy the consumers who purchase insoles.

C) Softstep Inc. wants to provide the best benefits for employees in the insole industry.

D) Softstep Inc. wants to be the best manufacturer of insoles in the industry.

Answer: D

Explanation: Because it of its goals, Softstep would choose a product-oriented vision statement, which focuses employees on improving existing products and services without consideration of underlying customer or employee problems to be solved.

Difficulty: 2 Medium

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-04 Evaluate the strategic implications of product-oriented and customer-oriented vision statements.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

54) A customer-oriented vision statement focuses employees to think about how best to

A) make a product easier to use.

B) increase their efficiency to benefit consumers.

C) improve a popular product.

D) solve a problem for a consumer.

Answer: D

Explanation: A customer-oriented vision statement focuses employees to think about how best to solve a problem for a consumer.

Difficulty: 1 Easy

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-04 Evaluate the strategic implications of product-oriented and customer-oriented vision statements.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

55) Why is it better for firms to keep their vision statements customer-oriented rather than product-oriented?

A) Customer-oriented visions tend to have a more short-range view of changing environments.

B) Customer-oriented visions tend to have a more myopic view of changing environments.

C) Customer-oriented visions tend to be more flexible when adapting to changing environments.

D) Customer-oriented visions tend to be more stable when dealing with changing environments.

Answer: C

Explanation: Customer-oriented visions tend to be more flexible when adapting to changing environments.

Difficulty: 1 Easy

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-04 Evaluate the strategic implications of product-oriented and customer-oriented vision statements.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

56) Which of the following statements about product-oriented visions is true?

A) They tend to force managers to take a myopic view of the competitive landscape.

B) They allow companies to effectively adapt to changing environments.

C) They define a business in terms of providing solutions to customers.

D) They allow firms to set goals that focus primarily on filling the organization's needs.

Answer: A

Explanation: A product-oriented vision defines a business in terms of a good or service provided. Product-oriented visions tend to force managers to take a myopic view of the competitive landscape.

Difficulty: 1 Easy

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-04 Evaluate the strategic implications of product-oriented and customer-oriented vision statements.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

57) Bubble Buddy is a company that manufactures hot tubs. Which of the following best illustrates a product-oriented vision for Bubble Buddy?

A) to make people's lives simple and easy

B) to demonstrate to customers the health benefits of hot tubs

C) to help people improve the value of their homes

D) to be the pioneering manufacturer of hot tubs

Answer: D

Explanation: "To be the pioneering manufacturer of hot tubs" best illustrates a product-oriented vision for Bubble Buddy. A product-oriented vision defines a business in terms of a good or service provided.

Difficulty: 2 Medium

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-04 Evaluate the strategic implications of product-oriented and customer-oriented vision statements.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

58) Which of the following statements is true of customer-oriented visions?

A) Customer-oriented visions identify how a customer need will be met.

B) Customer-oriented vision statements are not the same as listening to your customer.

C) Customer-oriented visions reduce a company's ability to adapt to a changing environment.

D) Customer-oriented visions define a business in terms of goods or services provided.

Answer: B

Explanation: It is important not to confuse customer-oriented vision statements with listening to the customer. They are not the same thing. Customer-oriented visions identify a critical need but leave open the means of how to meet that need.

Difficulty: 2 Medium

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-04 Evaluate the strategic implications of product-oriented and customer-oriented vision statements.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

59) Which of the following is a customer-oriented vision?

A) to be the most progressive insurance company

B) to be the best automobile company in the world

C) to enable businesses to improve their employee communications

D) to manufacture innovative products through continuous learning

Answer: C

Explanation: A customer-oriented vision defines a business in terms of providing solutions to customer needs. The statement "to enable businesses to improve their employee communications" is a customer-oriented vision.

Difficulty: 2 Medium

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-04 Evaluate the strategic implications of product-oriented and customer-oriented vision statements.

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

60) Pioneer Pharma Inc. and GH Medicines Corp. are two competing firms in the pharmaceutical industry. While Pioneer Pharma Inc.'s vision is "to be a preeminent drug manufacturer in the industry," GH Medicines Corp.'s vision is "to make good health a reality for everyone around the world." Which of the following is an implication of these different visions?

A) GH Medicines' vision is more product-oriented than the vision of Pioneer Pharma.

B) Pioneer Pharma is more likely to have a positive relationship between its vision and firm performance than GH Medicines.

C) Pioneer Pharma's vision is more long-term and futuristic than GH Medicines' vision.

D) GH Medicines will be more flexible than Pioneer Pharma when adapting to changing environments.

Answer: D

Explanation: Companies that have customer-oriented visions tend to be more flexible when adapting to changing environments. In contrast, companies that define themselves based on product-oriented statements tend to be less flexible and thus more likely to fail.

Difficulty: 2 Medium

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-04 Evaluate the strategic implications of product-oriented and customer-oriented vision statements.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

61) Which of the following vision statements is most likely to produce a sustainable competitive advantage for an auto dealership?

A) to generate the highest revenues of any dealership in the region

B) to sell only the highest-rated luxury vehicles

C) to open dealerships all across the country.

D) to help our customers find the perfect car for their individual needs.

Answer: D

Explanation: Customer-oriented vision statements allow companies to adapt to changing environments. Product-oriented vision statements often constrain this ability. A vision based on helping address customer needs is thus more likely to produce a sustainable competitive advantage.

Difficulty: 2 Medium

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-04 Evaluate the strategic implications of product-oriented and customer-oriented vision statements.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

62) A positive relationship between vision statements and firm performance is more likely to exist when

A) visions are product-oriented.

B) internal stakeholders are isolated from defining and revising the visions.

C) organizational structures are aligned with the firm's vision statement.

D) vision statements are equivalent to listening to the customers.

Answer: C

Explanation: A positive relationship between vision statements and firm performance is more likely to exist under certain circumstances: if the vision is customer-oriented, if internal stakeholders are invested in defining and revising the vision, and if organizational structures such as compensation systems are aligned with the firm's vision statement.

Difficulty: 1 Easy

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-04 Evaluate the strategic implications of product-oriented and customer-oriented vision statements.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

63) Marigold Servers, a web services firm, has experienced a 7% decline in revenues in consecutive quarters. In an effort to reduce operating costs, managers reduced the customer service staff from 12 employees to 6. Management also enlisted the remaining employees to help produce a new company vision: *to give customers of all budgets a customizable, stress-free web hosting experience*. What is wrong with this scenario?

A) Marigold's vision is not customer-oriented.

B) Internal stakeholders were not invested in defining the vision.

C) Marigold's organizational structures do not align with the vision.

D) Marigold's vision is not aspirational.

Answer: C

Explanation: A positive relationship between vision statements and firm performance is more likely to exist under certain circumstances: if the visions are customer-oriented, if internal stakeholders are invested in defining and revising the visions, and if organizational structures such as compensation systems are aligned with the firm's vision statement. By eliminating half of its customer service staff, Marigold has severely reduced its capacity to address customer needs. This new organizational structure does not align with the vision to create a stress-free web hosting experience for customers.

Difficulty: 2 Medium

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-04 Evaluate the strategic implications of product-oriented and customer-oriented vision statements.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

64) Which of the following is an example of a business acting upon an organizational core value?

A) Pegasus Autos reduces engine emissions below federal guidelines to reduce pollution.

B) Pegasus Autos lowers its retail prices to gain an advantage over its closest competitor.

C) Pegasus Autos finances research for developing more powerful engines.

D) Pegasus Autos launches an ad campaign that promotes the company as being environmentally friendly.

Answer: A

Explanation: Organizational core values are the ethical standards and norms that govern the behavior of individuals within a firm or organization. By lowering engine emissions below beyond what federal laws require, Pegasus Autos is acting on an ethical standard and thus an organizational value.

Difficulty: 2 Medium

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-05 Justify why anchoring a firm in ethical core values is essential for long-term success.

Bloom's: Apply

AACSB: Ethics

Accessibility: Keyboard Navigation

65) How do strong ethical values benefit a firm?

A) They lay the groundwork for a quick increase of profits and short-term success.

B) They serve as the guardrails put in place to keep the company on track when pursuing its mission.

C) They provide strong public relations, which can either benefit or hinder competitive advantage.

D) They emphasize benefiting stakeholders by significantly increasing profit.

Answer: B

Explanation: Strong ethical values have two important functions. First, they form a solid foundation on which a firm can build its vision and mission, and thus lay the groundwork for long-term success. Second, values serve as the guardrails put in place to keep the company on track when pursuing its vision and mission in its quest for competitive advantage.

Difficulty: 1 Easy

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-05 Justify why anchoring a firm in ethical core values is essential for long-term success.

Bloom's: Remember

AACSB: Ethics

Accessibility: Keyboard Navigation

66) Fuller Apparel's core value statement reads *we will ensure our clothing is made with the highest respect toward human rights and environmental protection*. Which of the following actions exemplifies how Fuller's core values drive its strategic decision making?

A) demanding that textile suppliers pay livable wages and maintain safe production facilities

B) introducing an online customer service unit to keep customers happy

C) investing in more efficient machinery to reduce costs and lower prices for consumers

D) purchasing a full-page advertisement in a major newspaper touting the company's values

Answer: A

Explanation: Fuller's core values are best reflected in the decision to demand that all members of the supply chain exhibit a similar concern with the environment and human rights. If the company did not enforce these standards among its suppliers, its products would not comply with the company's stated values, and Fuller would be vulnerable to other ethical lapses and negative public attention.

Difficulty: 2 Medium

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-05 Justify why anchoring a firm in ethical core values is essential for long-term success.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

67) The management of Toshi Manufacturing showed a commitment to \_\_\_\_\_\_\_\_ by increasing the salary of many female employees to meet its goal of having equal pay for women and men who perform comparable work.

A) scenario planning

B) upper-echelons theory

C) product-oriented vision

D) organizational core values

Answer: D

Explanation: Equal pay for women and men employees for comparable work is an organizational value. The management of Toshi Manufacturing showed a commitment to this value by increasing the salary of many female employees.

Difficulty: 2 Medium

Topic: Leaders Role in Establishing a Firm's Ethical Climate

Learning Objective: 01-05 Justify why anchoring a firm in ethical core values is essential for long-term success.

Bloom's: Understand

AACSB: Ethics

Accessibility: Keyboard Navigation

68) \_\_\_\_\_\_\_\_ are best described as the ethical standards and norms that govern the behavior of individuals within a firm.

A) Job descriptions

B) Customs duties

C) Corrective controls

D) Organizational core values

Answer: D

Explanation: Organizational core values are the ethical standards and norms that govern the behavior of individuals within a firm or organization.

Difficulty: 1 Easy

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-05 Justify why anchoring a firm in ethical core values is essential for long-term success.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

69) Organizational core values are the \_\_\_\_\_\_\_\_ that govern the behavior of individuals within a firm or organization.

A) economic measures

B) ethical standards and norms

C) political principles and policies

D) social beliefs and actions

Answer: B

Explanation: Organizational core values are the ethical standards and norms that govern the behavior of individuals within a firm or organization.

Difficulty: 1 Easy

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-05 Justify why anchoring a firm in ethical core values is essential for long-term success.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

70) When do employees fail to adopt the organizational values of a firm?

A) when the internal stakeholders of the firm are involved in designing the values

B) when the top managers in the firm are merely paying lip service to the firm's stated values

C) when the strategic leaders in the firm propagate and exhibit the same values

D) when the organizational structure, such as its strategic decision making, is aligned with its values

Answer: B

Explanation: Without commitment and involvement from top managers, any statement of values remains merely a public relations exercise. Employees tend to follow values practiced by strategic leaders. They observe the day-to-day decisions of top managers and quickly decide whether managers are merely paying lip service to the company's stated values.

Difficulty: 1 Easy

Topic: Leaders Role in Establishing a Firm's Ethical Climate

Learning Objective: 01-05 Justify why anchoring a firm in ethical core values is essential for long-term success.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

71) Organizational values help individuals make choices that are

A) legal but unethical.

B) both illegal and effective.

C) both ethical and effective in advancing a company's goals.

D) ethical but ineffective in achieving long-term success.

Answer: C

Explanation: Organizational values help individuals make choices that are both ethical and effective in advancing the company's goals.

Difficulty: 1 Easy

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-05 Justify why anchoring a firm in ethical core values is essential for long-term success.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

72) The pharmaceutical company Merck's new drug Vioxx was a blockbuster, generating revenues of $2.5 billion a year by 2002 and growing fast. When allegations that the drug caused heart attacks and strokes began to appear in the medical community, and that Merck had suppressed evidence about Vioxx's dangerous side effects from early clinical trials, Merck announced the voluntary withdrawal of Vioxx from the market. In this example, Merck provides an example of what can happen if a company deviates from its

A) voluntary responsibilities.

B) realized strategy.

C) core values.

D) strategic decisions.

Answer: C

Explanation: In Strategy Highlight 1.2, the pharmaceutical company Merck provides an example of how values can drive strategic decision making, and what can happen if a company deviates from its core values. Organizational values serve as the guardrails put in place to keep the company on track when pursuing its vision and mission in its quest for competitive advantage.

Difficulty: 1 Easy

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-05 Justify why anchoring a firm in ethical core values is essential for long-term success.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

73) The \_\_\_\_\_\_\_\_ is a model that links strategy analysis, strategy formulation, and strategy implementation, which together helps managers plan and implement a strategy that can improve performance and result in competitive advantage.

A) Ansoff's growth strategy matrix

B) AFI strategy framework

C) Sarbanes-Oxley Act

D) stakeholder impact analysis

Answer: B

Explanation: The AFI strategy framework is a model that links three interdependent strategic management tasks—analyze, formulate, and implement—that, together, help managers plan and implement a strategy that can improve performance and result in competitive advantage.

Difficulty: 1 Easy

Topic: The Strategic Role of Managers in Strategy Formulation and Implementation

Learning Objective: 01-06 Explain the AFI strategy framework.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

74) Managers use the AFI strategy framework to

A) help their business achieve and sustain competitive parity.

B) minimize the wealth of their shareholders.

C) help reduce the economic contribution of their business.

D) explain and predict differences in firm performance.

Answer: D

Explanation: Managers use the AFI strategy framework to do two things: (1) to explain and predict differences in firm performance, and (2) to help managers formulate and implement a strategy that results in superior performance.

Difficulty: 2 Medium

Topic: The Strategic Role of Managers in Strategy Formulation and Implementation

Learning Objective: 01-06 Explain the AFI strategy framework.

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

75) According to AFI strategy framework, in which of the following tasks of strategic management is a firm's vision, mission, and values identified?

A) strategy control

B) strategy analysis

C) strategy formulation

D) strategy implementation

Answer: B

Explanation: In strategy analysis the topics covered are: Strategic leadership and the strategy process: What roles do strategic leaders play? What are the firm's vision, mission, and values? What is the firm's process for creating strategy (how does strategy come about)?

Difficulty: 2 Medium

Topic: The Strategic Role of Managers in Strategy Formulation and Implementation

Learning Objective: 01-06 Explain the AFI strategy framework.

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

76) In the AFI strategy framework, strategy analysis primarily involves

A) evaluating the effects of internal resources and core competencies on a firm's potential to gain and sustain a competitive advantage.

B) designing a business, corporate, and global strategy to gain and sustain a competitive advantage.

C) organizing a firm in order to effectively put the formulated strategy into practice.

D) deciding the type of corporate governance that would be most effective in the implementation of a strategy.

Answer: A

Explanation: Strategy analysis involves internal analysis, that is, what effects do internal resources, capabilities, and core competencies have on the firm's potential to gain and sustain a competitive advantage?

Difficulty: 2 Medium

Topic: The Strategic Role of Managers in Strategy Formulation and Implementation

Learning Objective: 01-06 Explain the AFI strategy framework.

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

77) You are the manager in charge of setting the strategy for a new frozen yogurt company. Which of the following questions would be appropriate for you to ask during the analysis phase of the AFI strategy framework?

A) Should we open our first location in Los Angeles or New York City?

B) How have consumer preferences in frozen yogurt flavors changed in the last five years?

C) Should we be competing nationally or internationally?

D) Can we secure relationships with enough organic dairy farmers to meet our commitment to using the healthiest ingredients?

Answer: B

Explanation: During the strategy analysis phase of the AFI strategy framework, managers consider the internal and external environment, as well as the role of strategic leaders and how the firm can assess and achieve a competitive advantage. By considering recent changes in consumer tastes, you are analyzing the external environment and the effect that it will have on company performance.

Difficulty: 2 Medium

Topic: The Strategic Role of Managers in Strategy Formulation and Implementation

Learning Objective: 01-06 Explain the AFI strategy framework.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

78) Which of the following stages in the AFI strategy framework involves designing a business, corporate, and global strategy?

A) strategy control

B) strategy implementation

C) strategy analysis

D) strategy formulation

Answer: D

Explanation: Strategy formulation involves formulating a business strategy: How should the firm compete (cost leadership, differentiation, or integration)?; Corporate strategy: Where should the firm compete (industry, markets, and geography)?; and, Global strategy: How and where (local, regional, national, and international) should the firm compete around the world?

Difficulty: 1 Easy

Topic: The Strategic Role of Managers in Strategy Formulation and Implementation

Learning Objective: 01-06 Explain the AFI strategy framework.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

79) Which of the following tasks in the AFI strategy framework involves putting the formulated strategy into practice through organizational structure, culture, and controls?

A) strategy formulation

B) strategy implementation

C) strategy analysis

D) strategy evaluation

Answer: B

Explanation: Strategic implementation, the "I" in the AFI strategy framework, includes organizing the firm (its structure, culture, and controls) to put the formulated strategy into practice.

Difficulty: 2 Medium

Topic: The Strategic Role of Managers in Strategy Formulation and Implementation

Learning Objective: 01-06 Explain the AFI strategy framework.

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

80) During strategy implementation, managers primarily focus on deciding the

A) type of corporate governance that is most effective and ways in which it can put the formulated strategy into practice.

B) industries and markets the firm should compete in to be able to gain and sustain a competitive advantage.

C) relationship between competitive advantage and firm performance.

D) role strategic leaders should play in gaining and sustaining a competitive advantage.

Answer: A

Explanation: During strategy implementation, managers focus on the following questions: How should the firm organize to put the formulated strategy into practice? What type of corporate governance is most effective? How does the firm anchor strategic decisions in business ethics?

Difficulty: 1 Easy

Topic: The Strategic Role of Managers in Strategy Formulation and Implementation

Learning Objective: 01-06 Explain the AFI strategy framework.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

81) Which of the following provides an example of what AFI strategy framework is used for?

A) Using AFI, the Gasquet Motor Company was able to implement a strategy that produced high-quality cars more efficiently and thereby reduced costs.

B) Using AFI, the Chen Restaurant Group was able to improve employee benefits and thereby increase employee loyalty.

C) Using AFI, the Sanchez Clothing Company was able to implement a strategy that allowed them to give more money to charities and thereby gain good press.

D) Using AFI, the Richardson Tea Group was able to reduce the pollution it caused while processing tea and thereby receive an award.

Answer: A

Explanation: Managers use the AFI framework to do two things: (1) to explain and predict differences in firm performance, and (2) to help managers formulate and implement a strategy that results in superior performance. By producing high-quality cars at a low price and thereby increasing sales, the Gasquet Motor Company implemented a strategy that resulted in superior performance.

Difficulty: 2 Medium

Topic: The Strategic Role of Managers in Strategy Formulation and Implementation

Learning Objective: 01-06 Explain the AFI strategy framework.

Bloom's: Evaluate

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

82) What part of the AFI strategy framework does the question "*How does the firm make money?"* relate to?

A) strategic leadership and the strategy process

B) competitive advantage, firm performance, and business models

C) external analysis

D) internal analysis

Answer: B

Explanation: While completing the business model of the AFI strategy framework, a firm addresses the question: How does the firm make money?

Difficulty: 2 Medium

Topic: The Strategic Role of Managers in Strategy Formulation and Implementation

Learning Objective: 01-06 Explain the AFI strategy framework.

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

83) While creating its AFI strategy framework, Valdez Consultants decided what markets the firm should compete in. By doing this, what type of strategy did the company devise?

A) business strategy

B) corporate strategy

C) global strategy

D) ethical strategy

Answer: B

Explanation: Corporate strategy involves deciding where a firm should compete, which includes industry, markets, and geography.

Difficulty: 2 Medium

Topic: The Strategic Role of Managers in Strategy Formulation and Implementation

Learning Objective: 01-06 Explain the AFI strategy framework.

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

84) During an AFI planning session, the managers of the Fukuhara Motorcycle Corporation decided to place various stages of production in different countries in order to implement the strategy of cutting overhead costs. By doing this, what issue did the firm address?

A) philanthropic strategy

B) business ethics

C) corporate governance

D) organizational design

Answer: D

Explanation: Organizational design involves deciding how the firm should organize to turn the formulated strategy into action.

Difficulty: 2 Medium

Topic: The Strategic Role of Managers in Strategy Formulation and Implementation

Learning Objective: 01-06 Explain the AFI strategy framework.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

85) As manager of a major producer of automobile airbags, you have recently introduced the following vision statement: *to protect the health of every driver and passenger*. How can you ensure that your employees feel invested in and inspired by the firm's vision?

A) Include a "vision adherence assessment" in each employee's annual performance review.

B) Hang banners around the production facility touting the new vision statement.

C) Ask employees for feedback on the vision statement and revise based on their input.

D) Give a speech explaining why everyone should support the new vision.

Answer: C

Explanation: All employees should feel invested in and inspired by the firm's vision and mission. By inviting employees to participate in revising the vision statement, you ensure that the final result is something they believe in and will adhere to.

Difficulty: 3 Hard

Topic: The Strategic Role of Managers in Strategy Formulation and Implementation

Learning Objective: 01-06 Explain the AFI strategy framework.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

86) What are the elements of a good strategy? Provide the elements and briefly explain how they are accomplished.

Answer: A good strategy consists of three elements:

1. A diagnosis of the competitive challenge. This element is accomplished through strategy analysis of the firm's external and internal environments.

2. A guiding policy to address the competitive challenge. This element is accomplished through strategy formulation, resulting in the firm's corporate, business, and functional strategies.

3. A set of coherent actions to implement the firm's guiding policy. This element is accomplished through strategy implementation.

Difficulty: 2 Medium

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-01 Explain the role of strategy in a firm's quest for competitive advantage.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

87) Define and elaborate on competitive advantage.

Answer: Competitive advantage is superior performance relative to other competitors in the same industry or the industry average. To gain a competitive advantage, a firm needs to provide either goods or services consumers value more highly than those of its competitors while keeping its costs comparable to competitors, or goods or services similar in value to the competitors' at a lower cost. The rewards of superior value creation and capture are profitability and market share. Managers achieve this combination of value and cost through strategic positioning. They stake out a unique position within an industry that allows the firm to provide value to customers, while controlling costs.

Difficulty: 2 Medium

Topic: Strategic Approaches to Winning a Sustainable Competitive Advantage

Learning Objective: 01-02 Define competitive advantage, sustainable competitive advantage, competitive disadvantage and competitive parity.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

88) How is competitive advantage different from competitive parity?

Answer: A firm that achieves superior performance relative to other competitors in the same industry or the industry average has a competitive advantage. To gain a competitive advantage, a firm needs to provide either goods or services consumers value more highly than those of its competitors at a comparable cost, or goods or services similar to the competitors' at a lower cost. Should two or more firms perform at the same level, they have competitive parity.

Difficulty: 2 Medium

Topic: Competitive Advantage

Learning Objective: 01-02 Define competitive advantage, sustainable competitive advantage, competitive disadvantage and competitive parity.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

89) What is the relationship between economic contribution and competitive advantage?

Answer: Strategy is about creating superior value, while containing the cost to create it. Managers achieve this combination of value and cost through strategic positioning. That is, they stake out a unique position within an industry that allows the firm to provide value to customers, while controlling costs. The greater the difference between value creation and cost, the greater the firm's economic contribution and the more likely it will gain competitive advantage.

Difficulty: 2 Medium

Topic: Competitive Advantage

Learning Objective: 01-02 Define competitive advantage, sustainable competitive advantage, competitive disadvantage and competitive parity.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

90) Why is it important for firms in the same industry to choose distinct but different strategic positions?

Answer: In strategic positioning, firms stake out a unique position within an industry that allows the firm to provide value to customers, while controlling costs. Competition focuses on creating value for customers (through lower prices or better service and selection) rather than destroying rivals. Even though two firms compete in the same industry, both can win if they have a distinct and well-executed competitive strategy.

Difficulty: 2 Medium

Topic: Strategic Approaches to Winning a Sustainable Competitive Advantage

Learning Objective: 01-02 Define competitive advantage, sustainable competitive advantage, competitive disadvantage and competitive parity.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

91) Why is it important for a business to have a vision?

Answer: A company's vision captures its aspiration. An effective vision pervades the organization with a sense of winning and motivates employees at all levels to aim for the same target, while leaving room for individual and team contributions. Employees in visionary companies tend to feel like part of something bigger than themselves. An inspiring vision helps employees find meaning in their work, beyond monetary rewards. It allows employees to experience a greater sense of purpose and taps into people's intrinsic motivations to make the world a better place through their work activities. This greater individual purpose can in turn lead to higher organizational performance. To provide meaning for employees in pursuit of the organization's ultimate goals, vision statements should be forward-looking and inspiring.

Difficulty: 1 Easy

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-03 Describe the roles of vision, mission, and values in a firm's strategy.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

92) How does a mission statement differ from a firm's vision?

Answer: Vision is a statement about what an organization ultimately wants to accomplish; it captures the company's aspiration. Building on the vision, organizations establish a mission, which describes what an organization actually does—that is, the products and services it plans to provide, and the markets in which it will compete. Although the terms vision and mission are often used interchangeably, they are different: Vision defines what an organization wants to accomplish ultimately, and thus the goal can be described by the verb "to." In contrast, mission describes what an organization does; it defines the means "by" which vision is accomplished.

Difficulty: 2 Medium

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-03 Describe the roles of vision, mission, and values in a firm's strategy.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

93) Explain product-oriented vision statements with the help of an example.

Answer: Student answers may vary.

A product-oriented vision defines a business in terms of a good or service provided. Product-oriented visions tend to force managers to take a myopic view of the landscape. An example of a product-oriented vision statement would be "We want to be the best manufacturer in the industry."

Difficulty: 2 Medium

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-04 Evaluate the strategic implications of product-oriented and customer-oriented vision statements.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

94) What are customer-oriented vision statements? Explain with the help of an example.

Answer: Student answers may vary.

A customer-oriented vision defines a business in terms of providing solutions to customer needs. For example, "We are in the business of providing solutions to professional communication needs."

Difficulty: 2 Medium

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-04 Evaluate the strategic implications of product-oriented and customer-oriented vision statements.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

95) Why is it better for firms to keep their vision statements customer-oriented rather than product-oriented?

Answer: Companies that have customer-oriented visions tend to be more flexible when adapting to changing environments. In contrast, companies that define themselves based on product-oriented statements tend to be less flexible and thus more likely to fail. The lack of an inspiring need-based vision can cause the long-range problem of failing to adapt to a changing environment.

Difficulty: 2 Medium

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-04 Evaluate the strategic implications of product-oriented and customer-oriented vision statements.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

96) Comment on the statement "Customer-oriented visions do not define how a customer need will be met."

Answer: It is important not to confuse customer-oriented vision statements with listening to the customer. They are not the same thing. Customer-oriented visions identify a critical need but leave open the means of how to meet that need. It is critical not to define how a customer need will be met. The future is unknowable, and innovation may provide new ways to meet needs that are not fathomable today. Even if customer needs do not change, the means of meeting those needs can certainly change over time. An organization's vision should be flexible, to allow for change and adaptation.

Difficulty: 2 Medium

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-04 Evaluate the strategic implications of product-oriented and customer-oriented vision statements.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

97) Define organizational core values with the help of an example.

Answer: Student examples will vary. A sample answer follows:

Organizational core values are the ethical standards and norms that govern the behavior of individuals within a firm or organization. The values espoused by a company provide answers to the question, how do we accomplish our goals? They help individuals make choices that are both ethical and effective in advancing the company's goals. For example, the TOMS shoe company's core values include the "one-for-one" ethos, in which the company donates a pair of shoes to a child in a developing country for every pair that is sold. These values not only help less fortunate individuals around the world, they provide customers with a strong incentive to consider purchasing a pair of TOMS shoes.

Difficulty: 1 Easy

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-05 Justify why anchoring a firm in ethical core values is essential for long-term success.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

98) What functions do strong ethical values serve?

Answer: Strong ethical values have two important functions. First, they form a solid foundation on which a firm can build its vision and mission, and thus lay the groundwork for long-term success. Second, values serve as the guardrails put in place to keep the company on track when pursuing its vision and mission in its quest for competitive advantage.

Difficulty: 1 Easy

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-05 Justify why anchoring a firm in ethical core values is essential for long-term success.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

99) Why is it important for top management of a company to show commitment and involvement toward organizational values?

Answer: Without commitment and involvement from top managers, any statement of values remains merely a public relations exercise. Employees tend to follow values practiced by strategic leaders. They observe the day-to-day decisions of top managers and quickly decide whether managers are merely paying lip service to the company's stated values. True values must be lived with integrity, especially by the top management team. Unethical behavior by top managers is like a virus that spreads quickly throughout an entire organization. It is imperative that strategic leaders set an example of ethical behavior by living the values.

Difficulty: 1 Easy

Topic: Leaders Role in Establishing a Firm's Ethical Climate

Learning Objective: 01-05 Justify why anchoring a firm in ethical core values is essential for long-term success.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

100) Describe the three broad tasks of the AFI strategy framework and provide examples of the topics and questions that managers address in relation to each task.

Answer: Student examples will vary. A sample answer follows:

The three broad tasks of the AFI strategy framework are 1) strategy analysis, 2) strategy formulation, 3) strategy implementations. During strategy analysis, managers consider both the internal and external environment and how the firm's performance can produce a sustainable competitive advantage. During strategy formulation, managers devise a functional, business, and corporate strategy, determining how and where the firm should compete. During strategy implementation, managers consider how the firm should be organized to turn the formulated strategy into action, as well as how the firm's corporate governance and ethical values affect strategy implementation.

Difficulty: 1 Easy

Topic: The Strategic Role of Managers in Strategy Formulation and Implementation

Learning Objective: 01-06 Explain the AFI strategy framework.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation