

Effective Small Business Management, 10e (Scarborough)
Chapter 2 Strategic Management and the Entrepreneur

1) The strategic management process:

A) is especially difficult for the small business because of its limited resources.

B) divides mass markets into smaller, less homogeneous units.

C) provides the small business owner with the tools for managing the uncontrollable elements in the external business environment.

D) helps a small business develop the game plan that guides it in creating its mission, vision, goals, and objectives.

Answer: D

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Topic: Introduction

AACSB: Analytic Skills

2) The primary output of the strategic management process should be:

A) a matching of its strengths and weaknesses to the opportunities and threats in the environment.

B) an enticement to outside investors and lenders to put money into the business.

C) a complete explanation of the company's product or service.

D) a description of the company's competitive situation.

Answer: A

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Topic: Introduction

AACSB: Analytic Skills

3) A small business's "aggregation of factors that sets it apart from its competitors" is its:

A) strategic plan.

B) competitive advantage.

C) vision.

D) competitive strategy.

Answer: B

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Topic: Building a Competitive Advantage

AACSB: Analytic Skills

4) The strategic planning process for small businesses is:

A) market-focused.

B) the same as it is for a large company.

C) generally done by top management with little or no participation by employees.

D) product-focused and similar to that for large companies.

Answer: A

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Topic: Building a Competitive Advantage

AACSB: Analytic Skills

5) How is the strategic planning process for small companies different from that for large companies?

- A) The planning horizon should cover at least five years into the future.
- B) The process should begin with setting objectives and conclude with competitive analysis.
- C) The process should be informal and not overly structured—"a shirtsleeve approach."
- D) It should be conducted by top management and provided to lower management.

Answer: C

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Topic: Building a Competitive Advantage

AACSB: Analytic Skills

6) _____ focuses everyone's attention and efforts on the same target market. It is an expression of what the owner believes in.

- A) The mission statement
- B) The company vision
- C) The strategic plan
- D) The operational plan

Answer: B

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Topic: The Strategic Management Process

AACSB: Analytic Skills

7) Which of the following is true about successful entrepreneurs and their vision?

- A) It is created independently of their market or their customers.
- B) It includes their understanding of the competition and their key market segments.
- C) They are able to communicate it and their enthusiasm for it to all those around them.
- D) They create it in cooperation with their employees.

Answer: C

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Topic: The Strategic Management Process — Develop a Clear Meaningful Mission

AACSB: Analytic Skills

8) Answering the question "What business am I in?" defines the company's:

- A) mission.
- B) assessment of its own strengths and weaknesses.
- C) external opportunities and threats.
- D) goals and objectives.

Answer: A

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Topic: The Strategic Management Process — Develop a Clear Meaningful Mission

AACSB: Analytic Skills

- 9) Which of the following best expresses the relationship of a company vision to its mission?
- A) The company vision comes from the company mission.
 - B) The mission statement is the written expression of the company vision.
 - C) The company mission statement is the verbal expression of the written vision.
 - D) There is no relationship between the two.

Answer: B

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Topic: The Strategic Management Process — Develop a Clear Meaningful Mission

AACSB: Analytic Skills

- 10) A mission statement should answer which of the following questions?
- A) What are the needs and wants of the target customers?
 - B) How will we finance our growth and expansion?
 - C) Who are our competitors?
 - D) How much money will we make?

Answer: A

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Topic: The Strategic Management Process — Develop a Clear Meaningful Mission

AACSB: Analytic Skills

- 11) Once the vision and mission are established, the entrepreneur needs to:
- A) select the target market.
 - B) conduct market research.
 - C) choose a competitive strategy.
 - D) assess the firm's strengths and weaknesses.

Answer: D

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Topic: The Strategic Management Process

AACSB: Analytic Skills

- 12) _____ are positive internal factors that contribute towards accomplishing the company's objectives.
- A) Strengths
 - B) Weaknesses
 - C) Opportunities
 - D) Threats

Answer: A

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Topic: The Strategic Management Process

AACSB: Analytic Skills

13) _____ are negative internal factors that inhibit the accomplishment of a firm's objectives.

- A) Strengths
- B) Weaknesses
- C) Opportunities
- D) Threats

Answer: B

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Topic: The Strategic Management Process

AACSB: Analytic Skills

14) When the small business owner assesses her company's strengths and weaknesses, she is dealing with the _____ business environment.

- A) macro
- B) external
- C) competitive
- D) internal

Answer: D

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Topic: The Strategic Management Process

AACSB: Reflective Thinking

15) _____ are negative external forces that inhibit the firm's ability to achieve its objectives.

- A) Strengths
- B) Weaknesses
- C) Opportunities
- D) Threats

Answer: D

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Topic: The Strategic Management Process — Scan the Business

AACSB: Analytic Skills

16) Corey notices a "backlash" against health food among people who eat out. He decides to open a restaurant that stresses "good home cooking," heavy with gravies, breads, oils, etc. Corey has identified and is trying to capitalize on a(n) _____ in the market environment.

- A) strength
- B) weakness
- C) threat
- D) opportunity

Answer: D

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Topic: The Strategic Management Process — Scan the Business

AACSB: Reflective Thinking

17) Every business is characterized by a set of controllable variables called _____ that determines the relative success (or lack of it) of market participants:

- A) distinctive competencies
- B) key success factors
- C) opportunities and threats
- D) competitive edge

Answer: B

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Topic: The Strategic Management Process — Identify the Business

AACSB: Reflective Thinking

18) These are products of the interaction of various forces, trends, and events that are outside the control of the small business.

- A) distinctive competencies
- B) key success factors
- C) opportunities and threats
- D) strengths and weaknesses

Answer: C

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Topic: The Strategic Management Process — Scan the Business

AACSB: Analytic Skills

19) A small firm's ability to identify and manipulate the _____ in its business determines its ability to compete effectively.

- A) key success factors
- B) corporate vision and mission
- C) opportunities and threats
- D) market environment

Answer: A

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Topic: The Strategic Management Process — Identify the Business

AACSB: Analytic Skills

20) _____ are relationships between a controllable variable—plant size, quality, packaging—and a critical factor influencing the firm's ability to compete in the marketplace.

- A) Core competencies
- B) The competitive advantages
- C) Key success factors
- D) Goals and objectives

Answer: C

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Topic: The Strategic Management Process — Identify the Business

AACSB: Reflective Thinking

- 21) A small business owner would conduct a competitive analysis in order to:
- A) influence customers' perceptions of the company and products' image.
 - B) avoid surprises from existing competitors and to identify potential new competitors.
 - C) divide the market into smaller, homogeneous units.
 - D) scan the environment for weaknesses and strengths on which to capitalize.

Answer: B

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Topic: The Strategic Management Process — Analyze the Competition

AACSB: Analytic Skills

- 22) Joan is seeking to answer a series of questions such as: How do competitor's cost structures compare to ours, what new competitors are entering the industry, what do our customers say about competitors, etc. By asking these questions, Joan is:

- A) conducting a SWOT analysis.
- B) identifying her company's key success factors.
- C) formulating strategic options for her company.
- D) performing a competitive analysis.

Answer: D

Page Ref: 50

Topic: The Strategic Management Process — Analyze the Competition

AACSB: Analytic Skills

- 23) Purchasing rival companies' products, taking them apart, and analyzing them is:

- A) industrial espionage.
- B) illegal due to federal regulation.
- C) benchmarking.
- D) cataloguing.

Answer: C

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Topic: The Strategic Management Process — Analyze the Competition

AACSB: Analytic Skills

- 24) The information-gathering process in competitive analysis:

- A) is an expensive process that only established small companies can afford.
- B) can be relatively inexpensive and easy for the small business owner to conduct.
- C) is closely regulated by various federal laws.
- D) is a process that requires expert help but is relatively inexpensive.

Answer: B

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Topic: The Strategic Management Process — Analyze the Competition

AACSB: Analytic Skills

25) A competitive profile matrix:

A) identifies a firm's core competencies.

B) permits the small business owner to divide a mass market into smaller, more manageable segments.

C) compares the firm's and its competitors' key success factors.

D) creates a road map of action for the entrepreneur in order to fulfill his/her company's mission, goals, and objectives.

Answer: C

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Topic: The Strategic Management Process — Analyze the Competition

AACSB: Analytic Skills

26) _____ are the broad, long-range attributes the small business seeks to accomplish; _____ are the specific, measurable milestones the company wants to achieve.

A) Goals; objectives

B) Goals; strategies

C) Objectives; goals

D) Strategies; goals

Answer: A

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Topic: The Strategic Management Process — Create Company Goals and Objectives

AACSB: Analytic Skills

27) _____ are specific measurable targets to be accomplished in a defined time period.

A) Core competencies

B) Objectives

C) Goals

D) Key success factors

Answer: B

Page Ref: 53

Topic: The Strategic Management Process — Create Company Goals and Objectives

AACSB: Analytic Skills

28) The small firm's "master plan" is its:

A) objectives.

B) goals.

C) competitive edge.

D) strategy.

Answer: D

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Topic: The Strategic Management Process

AACSB: Analytic Skills

29) The focal point of a firm's strategy is:

- A) the firm's goals and objectives.
- B) the firm's key success factors.
- C) the customer.
- D) the firm's strengths and weaknesses.

Answer: B

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Topic: The Strategic Management Process

AACSB: Analytic Skills

30) Small firms pursuing a cost leadership strategy have an advantage in reaching customers whose primary purchase criterion is:

- A) quality.
- B) constant innovation.
- C) price.
- D) customer service.

Answer: C

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Topic: The Strategic Management Process

AACSB: Analytic Skills

31) Cost leadership has several inherent dangers such as:

- A) choosing to distinguish the product that does not boost its performance.
- B) an overfocus on the physical characteristics of the product.
- C) the identified niche is not large enough to be profitable.
- D) an overfocus on costs to the elimination of other strategies.

Answer: D

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Topic: The Strategic Management Process

AACSB: Analytic Skills

32) A small company following a _____ strategy seeks to build customer loyalty by positioning its goods and services in a unique fashion.

- A) differentiation
- B) cost leadership
- C) focus
- D) niche

Answer: A

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Topic: The Strategic Management Process

AACSB: Analytic Skills

33) A differentiation strategy:

- A) seeks to find and defend an identifiable market niche.
- B) is built on a company's distinctive competence.
- C) must create the perception of value in the customer's eyes through the lowest possible price.
- D) focuses solely on making the physical characteristics of the product as unique as possible.

Answer: D

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Topic: The Strategic Management Process

AACSB: Analytic Skills

34) Tyson Foods' practice of adding value to its chicken products by deboning, skinning, bite-sizing, or pre-cooking them is an example of a:

- A) cost leadership strategy.
- B) differentiation strategy.
- C) focus strategy.
- D) concentration strategy.

Answer: B

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Topic: The Strategic Management Process

AACSB: Reflective Thinking

35) Which of the following is a danger in choosing a differentiation strategy?

- A) Charging a price so high that the company prices itself out of the market
- B) Choosing a basis for price leadership that is essentially unimportant to the customer
- C) Choosing a market that is not large enough to be profitable
- D) An overfocus on overhead costs

Answer: A

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Topic: The Strategic Management Process

AACSB: Analytic Skills

36) Rather than attempting to serve the total market, the small firm pursuing a _____ strategy specializes in serving a specific target segment.

- A) cost leadership
- B) differentiation
- C) focus
- D) head-to-head

Answer: C

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Topic: The Strategic Management Process

AACSB: Analytic Skills

37) A _____ strategy tends to be ideally suited to the small business.

- A) differentiation
- B) focus
- C) cost leadership
- D) product quality

Answer: B

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Topic: The Strategic Management Process

AACSB: Analytic Skills

38) The principle behind a _____ strategy is to select one or more market segments, identify customers' special needs, and approach them with a good or service designed to excel in meeting these needs.

- A) cost-leadership
- B) differentiation
- C) focus
- D) concentration

Answer: C

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Topic: The Strategic Management Process

AACSB: Analytic Skills

39) An effective strategic plan does which of the following?

- A) Identifies a complete set of success factors—financial, operating, and marketing, that yield a competitive advantage for the company
- B) Focuses on one generic strategy to the exclusion of all other strategies
- C) Always seeks a high profile in the specific markets chosen
- D) Is always cost based

Answer: A

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Topic: The Strategic Management Process

AACSB: Analytic Skills

40) The most successful strategic plans make the _____ focal.

- A) competitive analysis
- B) customer
- C) product
- D) control process

Answer: B

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Topic: The Strategic Management Process

AACSB: Analytic Skills

41) Small bookstores have a giant killer of a competitive advantage in their:

- A) lower costs.
- B) better locations.
- C) customer service.
- D) large selection.

Answer: C

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Topic: Building a Competitive Advantage

AACSB: Analytic Skills

42) When translating strategic plans into action plans, the small business owner should:

- A) not delegate authority or responsibility at this point.
- B) not assign priorities to the action plans, but manage the process from the conceptual level.
- C) not adjust or change the plan but commit to implementing as it stands.
- D) remember that no strategic plan is complete until it's put into action.

Answer: D

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Topic: The Strategic Management Process — Translate Strategic Plans

AACSB: Analytic Skills

43) A small business owner needs to remember that when it comes to employee involvement in the strategic planning process:

- A) involvement is a prerequisite for the achievement of total employee commitment.
- B) his/her employees look to him/her for leadership and do not want to be involved.
- C) the delegation of authority is not as important as communicating a clear vision.
- D) employees do not need to be involved in the strategic process but do need to be involved in the operational process.

Answer: A

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Topic: The Strategic Management Process — Translate Strategic Plans

AACSB: Analytic Skills

44) The final step of the strategic planning process is:

- A) establishing accurate controls.
- B) translating the strategic plan into operational plans.
- C) evaluating the competitive environment.
- D) choosing a marketing strategy to pursue.

Answer: A

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Topic: The Strategic Management Process — Establish Accurate Controls

AACSB: Analytic Skills

45) The _____ is a set of measures unique to the company that gives managers a quick and comprehensive view of how the business is doing and includes both financial and operational factors.

- A) core competencies
- B) key success factors
- C) balanced scorecard
- D) action plan

Answer: C

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Topic: The Strategic Management Process — Establish Accurate Controls

AACSB: Analytic Skills

46) It is important for the small business owner to remember that the strategic planning process is:

- A) an ongoing process that must be repeated.
- B) a top management process completed only once every two years.
- C) a process which involves all the employees once every five years.
- D) one that should produce a detailed, elaborate plan for running the business over the next 3—5 years.

Answer: A

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Topic: Conclusion

AACSB: Analytic Skills

47) In the creation of the balanced scorecard, the entrepreneur needs to:

- A) assess competitor's strengths and weaknesses and set measures against them.
- B) establish goals for each critical factor of company performance.
- C) think about the resource requirements necessary to implement the action plans.
- D) do all of these.

Answer: B

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Topic: The Strategic Management Process — Establish Accurate Controls

AACSB: Analytic Skills

48) Intellectual capital of a company is comprised of which components?

- A) Talent and skills of its workforce
- B) Software, patents, copyrights
- C) Experience of the people in the company
- D) Customer base, reputation and goodwill

Answer: A

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Topic: Introduction

AACSB: Analytic Skills

49) Small businesses have a natural advantage over large competitors when it comes to developing a strategy for competitive advantage because small businesses have all these except:

- A) fewer product lines.
- B) better-defined customer base.
- C) access to more capital.
- D) specific geographic market area.

Answer: A

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Topic: Building a Competitive Advantage

AACSB: Analytic Skills

50) A company may have a powerful competitive advantage, but it is wasted unless:

- A) the owner has communicated that advantage to workers.
- B) the customers are recommending the company to their friends.
- C) the workers communicate who, in turn, work hard to communicate it to customers and potential customers.
- D) All of the above

Answer: D

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Topic: The Strategic Management Process, Develop Mission

AACSB: Analytic Skills

51) _____ is not a primary goal of a competitive intelligence program

- A) Avoiding surprises from existing competitors' new strategies and tactics
- B) Identifying potential new competitors
- C) Improving reaction time to competitors' actions
- D) All these are primary goals of a competitive intelligence program.

Answer: D

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Topic: The Strategic Management Process, Analyze the Competition

AACSB: Analytic Skills

52) The final step in creating a knowledge management program is:

- A) to organize the essential knowledge and disseminate it throughout the company to those who need it.
- B) to take an inventory of the special knowledge a company possesses that gives it a competitive advantage.
- C) to continue to add to the knowledge base the company has assembled.
- D) to create company goals and objectives

Answer: C

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Topic: Introduction

AACSB: Analytic Skills

53) Which strategy recognizes that not all markets are homogenous?

- A) Focus
- B) Differentiation
- C) Cost Leadership
- D) Price sensitive

Answer: A

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Topic: The Strategic Management Process

AACSB: Analytic Skills

54) A strategic plan should not:

- A) be relatively small.
- B) begin with extensive objective setting.
- C) encourage participation by employees.
- D) be informal and not structured.

Answer: B

Page Ref: 39

Topic: Building a Competitive Advantage

AACSB: Analytic Skills

55) Strategic management is a process that involves:

- A) developing a vendor list.
- B) developing a vision and mission statement.
- C) developing goals and objectives.
- D) Both B and C

Answer: D

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Topic: Introduction

AACSB: Analytic Skills

56) Competitive advantage is:

- A) to be easily duplicated by competitors.
- B) to have a super idea.
- C) the aggregation of factors that sets the small business apart from its competitors and gives it a unique position in the market.
- D) None of the above

Answer: C

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Topic: Building a Competitive Advantage

AACSB: Analytic Skills

57) _____ are a unique set of capabilities that a company develops in key areas, such as superior quality, customer service, innovation, team-building, flexibility, speed, responsiveness, and others that allow it to vault past competitors.

- A) Core Competencies
- B) Focus strategy
- C) Cost leadership strategy
- D) None of the above

Answer: A

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Topic: Building a Competitive Advantage

AACSB: Analytic Skills

58) To be effective, these competencies should be _____ for competitors to duplicate, and they must provide customers with a valuable perceived benefit.

- A) easy
- B) moderate
- C) difficult
- D) None of the above

Answer: C

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Topic: Building a Competitive Advantage

AACSB: Analytic Skills

59) The strategic management procedure for a small business should include the following features:

- A) Use a relatively short planning horizon easy
- B) Encourage the participation of employees moderate
- C) Be informal and not overly structured difficult
- D) All of the above

Answer: D

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Topic: Building a Competitive Advantage

AACSB: Analytic Skills

60) The idea behind strategic planning is to give the business owner a way to match his/her company's strengths and weaknesses to the opportunities and threats in the business environment.

Answer: TRUE

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Topic: Introduction

AACSB: Analytic Skills

61) An established customer base is an example of structural capital

Answer: FALSE

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Topic: Introduction

AACSB: Analytic Skills

62) Their narrower product lines, smaller customer bases and more limited geographic areas give small companies a natural advantage over large businesses when preparing a strategic plan.

Answer: TRUE

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Topic: Building a Competitive Advantage

AACSB: Reflective Thinking

63) The strategic planning process for small companies should begin with setting goals and objectives.

Answer: FALSE

Page Ref: 41

Topic: The Strategic Management Process, Step 1

AACSB: Analytic Skills

64) A well-conceived and defined vision can be a competitive weapon in the marketplace by helping everyone understand and focus on the same target.

Answer: TRUE

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Topic: The Strategic Management Process, Step 1

AACSB: Analytic Skills

65) "What business am I in?" This is a question the entrepreneur needs to answer when creating the mission statement.

Answer: TRUE

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Topic: The Strategic Management Process, Step 1

AACSB: Analytic Skills

66) After a company's strengths and weakness are assessed, the strategic planning process should identify opportunities and threats facing the company and should isolate the key factors for success in the business.

Answer: TRUE

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Topic: The Strategic Management Process, Step 3

AACSB: Analytic Skills

67) Key success factors are simply relationships between controllable factors and critical elements that permit a firm to compete in its industry.

Answer: TRUE

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Topic: The Strategic Management Process, Step 4

AACSB: Analytic Skills

68) Most small business owners believe it is relatively unimportant to monitor their competitors' activities.

Answer: FALSE

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Topic: The Strategic Management Process, Step 5

AACSB: Analytic Skills

69) One of the goals of competitive analysis is to improve a firm's reaction time to competitor's actions.

Answer: TRUE

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Topic: The Strategic Management Process, Step 5

AACSB: Analytic Skills

70) It is possible for a small business owner to gather competitive data inexpensively, even data on other companies' financial condition.

Answer: TRUE

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Topic: The Strategic Management Process, Step 5

AACSB: Analytic Skills

71) The competitive profile matrix matches the firm's core competencies with those of selected competitors.

Answer: FALSE

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Topic: The Strategic Management Process, Step 5

AACSB: Analytic Skills

72) Setting seemingly impossibly high objectives, those outside the likely reach of employees, helps managers to create and maintain a high motivation level.

Answer: FALSE

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Topic: The Strategic Management Process, Step 6

AACSB: Analytic Skills

73) Goals and objectives provide the direction for the small firm and are essential to the strategic planning process.

Answer: TRUE

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Topic: The Strategic Management Process, Step 6

AACSB: Analytic Skills

74) Goals indicate how the small firm's resources will be allocated to specific ventures or activities.

Answer: FALSE

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Topic: The Strategic Management Process, Step 6

AACSB: Analytic Skills

75) Before a business owner can build any strategies, he/she must have clear goals and objectives in order to have an appropriate target to aim his/her strategies toward.

Answer: TRUE

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Topic: The Strategic Management Process, Step 6

AACSB: Analytic Skills

76) Sound strategies increase the likelihood that business objectives will be achieved.

Answer: TRUE

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Topic: The Strategic Management Process, Step 7

AACSB: Analytic Skills

77) A strategy is a road map of action for fulfilling a firm's mission, goals and objectives.

Answer: TRUE

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Topic: The Strategic Management Process, Step 7

AACSB: Analytic Skills

78) Small firms pursuing a cost leadership strategy have an advantage in reaching customers whose primary purchase criterion is high quality.

Answer: FALSE

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Topic: The Strategic Management Process, Step 7

AACSB: Analytic Skills

79) The best way to build a cost leadership competitive advantage is to focus entirely on manufacturing costs.

Answer: FALSE

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Topic: The Strategic Management Process, Step 7

AACSB: Analytic Skills

80) A danger of cost leadership is that a company may misunderstand what processes actually drive its true costs.

Answer: TRUE

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Topic: The Strategic Management Process, Step 7

81) One key to building a successful differentiation strategy is to be better than competitors at some characteristic that customers value.

Answer: TRUE

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Topic: The Strategic Management Process, Step 7

82) To be successful, a differentiation strategy must create the perception of value in the customer's eyes.

Answer: TRUE

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Topic: The Strategic Management Process, Step 7

83) A differentiation strategy carries a risk with it, in that a firm may not adequately segment the market and properly target those special needs.

Answer: TRUE

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Topic: The Strategic Management Process, Step 7

AACSB: Analytic Skills

84) A focus strategy recognizes that all markets are homogeneous.

Answer: FALSE

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Topic: The Strategic Management Process, Step 7

AACSB: Analytic Skills

85) A small business following a focus strategy attempts to serve its narrow target markets more effectively and efficiently than competitors trying to appeal to the broad market.

Answer: TRUE

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Topic: The Strategic Management Process, Step 7

AACSB: Analytic Skills

86) The focus strategy depends on creating value for the customer either by being the low cost producer or by differentiating the product or service in a unique fashion, but doing it in a narrow target segment.

Answer: TRUE

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Topic: The Strategic Management Process, Step 7

AACSB: Analytic Skills

87) Focus strategies, unlike Porter's other generic strategies, are without risk because they tend to combine elements of all three strategies.

Answer: FALSE

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Topic: The Strategic Management Process, Step 7

AACSB: Analytic Skills

88) Offering lower prices is the best method for a small business to establish its competitive edge.

Answer: FALSE

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Topic: The Strategic Management Process, Step 7

AACSB: Analytic Skills

89) The focal point of the entire strategic plan and the competitive strategy chosen is the customer.

Answer: TRUE

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Topic: The Strategic Management Process, Step 7

AACSB: Analytic Skills

90) Small businesses have some competitive advantages over larger companies—being able to respond quickly, having greater flexibility, being able to build and defend niches, etc.

Answer: TRUE

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Topic: The Strategic Management Process, Step 8

AACSB: Analytic Skills

91) The best conversion of strategic plans to operational plans is done by top management without the help of the employees.

Answer: FALSE

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Topic: The Strategic Management Process, Step 8

AACSB: Analytic Skills

92) To be of any real value to the small business owner, strategic plans must be broken down beyond operational plan level into projects with assigned responsibilities.

Answer: TRUE

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Topic: The Strategic Management Process, Step 8

AACSB: Analytic Skills

93) The secret to good control is the identification and tracking of key performance indicators.

Answer: TRUE

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Topic: The Strategic Management Process, Step 9

AACSB: Analytic Skills

94) The key to the balanced scorecard is identifying the key single measure for the specific company being evaluated.

Answer: FALSE

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Topic: The Strategic Management Process, Step 9

AACSB: Analytic Skills

95) The balanced score looks at the small business from the perspectives of the customer, the company itself, innovation, and finances.

Answer: TRUE

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Topic: The Strategic Management Process, Step 9

AACSB: Analytic Skills

96) A balanced scorecard is a set of common measures for all companies.

Answer: FALSE

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Topic: The Strategic Management Process, Step 9

AACSB: Analytic Skills

97) The first step in creating a knowledge management program is to take an inventory of the special knowledge a company possesses that gives it a competitive advantage.

Answer: TRUE

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Topic: Introduction

AACSB: Analytic Skills

98) Objectives are the broad, long-range attributes that a business seeks to accomplish.

Answer: FALSE

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Topic: The Strategic Management Process, Step 6

AACSB: Analytic Skills

99) A goal is the master plan that covers all of the major parts of the organization and ties them together into a unified whole.

Answer: FALSE

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Topic: The Strategic Management Process, Step 6

AACSB: Analytic Skills

100) The key to a successful differentiation strategy is to build it on a distinctive competence — something the small company is uniquely good at doing in comparison to its competitors.

Answer: TRUE

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Topic: The Strategic Management Process, Step 7

AACSB: Analytic Skills

101) A focus strategy is ideally suited to many small businesses, which often lack the resources to reach a national market.

Answer: TRUE

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Topic: The Strategic Management Process, Step 7

AACSB: Analytic Skills

102) A company's intellectual capital is likely to be the source of its competitive advantage in the marketplace.

Answer: TRUE

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Topic: Introduction

AACSB: Analytic Skills

103) One of the biggest pitfalls many entrepreneurs stumble into is failing to differentiate their companies from the crowd of competitors.

Answer: TRUE

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Topic: Building a Competitive Advantage

AACSB: Analytic Skills

104) Developing core competences does *not* necessarily require a company to spend a great deal of money.

Answer: TRUE

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Topic: Building a Competitive Advantage

AACSB: Analytic Skills

105) A sound mission statement needs to be lengthy in order for it to be effective.

Answer: FALSE

Page Ref: 43

Topic: Develop a Clear....Mission

AACSB: Analytic Skills

106) Owners of traditional travel agencies are facing threats from many sides, including the World Wide Web.

Answer: TRUE

Page Ref: 47

Topic: Assess the Company's....Threats

AACSB: Analytic Skills

107) Tight cost control; trained, dependable, honest in-store managers can be success factor for a restaurant.

Answer: TRUE

Page Ref: 49

Topic: Identify the Key....Business

AACSB: Analytic Skills

108) In a competitive profile matrix, a major strength is given a ranking of 1.

Answer: FALSE

Page Ref: 52

Topic: Analyze the Competition

AACSB: Analytic Skills

109) A time frame for achieving objectives is important.

Answer: TRUE

Page Ref: 53

Topic: Create Company Goals and Objectives

AACSB: Analytic Skills

110) A differentiation strategy works well when buyers are sensitive to price changes, when competing firms sell the same commodity products, and when companies can benefit from economies of scale.

Answer: FALSE

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Topic: Three Strategic Options

AACSB: Analytic Skills

111) A strategic plan doesn't need to be put into action to be complete.

Answer: FALSE

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Topic: Translate Strategic Plans into Action Plans, Step 8

AACSB: Analytic Skills

112) Early involvement of the total work force in the strategic management process is a luxury that larger businesses cannot achieve.

Answer: TRUE

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Topic: Translate Strategic Plans into Action Plans, Step 8

AACSB: Analytic Skills

113) Common bases for a focus strategy include superior customer service, special product features, complete product lines, instantaneous parts availability, absolute product reliability, supreme product quality, and extensive product knowledge.

Answer: FALSE

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Topic: The Strategic Management Process

AACSB: Analytic Skills

114) One of the strategic management processes is to establish accurate control.

Answer: TRUE

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Topic: The Strategic Management Process

AACSB: Analytic Skills

115) One of the strategic management processes is to translate strategic plans into unachievable plans.

Answer: FALSE

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Topic: The Strategic Management Process

AACSB: Analytic Skills

116) One of the strategic management processes is to develop a clear vision and translate it into a meaningful mission statement.

Answer: TRUE

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Topic: The Strategic Management Process

AACSB: Analytic Skills

117) Highly successful entrepreneurs are able to communicate their vision and their enthusiasm about that vision to those around them.

Answer: TRUE

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Topic: The Strategic Management Process, Step 1

AACSB: Analytic Skills

118) A mission statement addresses the first question of any business venture: "Where do I see myself to be?"

Answer: FALSE

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Topic: The Strategic Management Process, Step 1

AACSB: Analytic Skills

119) To be effective, a mission statement must become a natural part of the organization, embodied in the minds, habits, attitudes, and decisions of everyone in the company every day.

Answer: TRUE

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Topic: The Strategic Management Process, Step 1

AACSB: Analytic Skills

120) The balanced scorecard is a set of measurements unique to a company that includes both financial and operational measures and gives managers a quick yet comprehensive picture of the company's total performance.

Answer: TRUE

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Topic: The Strategic Management Process, Step 9

AACSB: Analytic Skills

121) What is the importance of strategic management to small businesses? In your discussion, explain how strategic planning is different for a small business.

Answer: Strategic planning, often ignored by small companies, is a crucial ingredient in business success. The planning process forces potential entrepreneurs to subject their ideas to an objective evaluation in the competitive market.

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Topic: Introduction

AACSB: Analytic Skills

122) Explain how vision and mission work together, providing direction for the small business. In your discussion, identify at least five key questions a mission statement should answer.

Answer: Highly successful entrepreneurs are able to communicate their vision to those around them. The firm's mission statement answers the first question of any venture: "What business am I in?" The mission statement sets the tone for the entire company.

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Topic: The Strategic Management Process, Step 1

AACSB: Analytic Skills

123) Describe core competencies and the role they play in helping the company segment its market and develop effective competitive strategies.

Answer: The goal of developing a strategic plan is to create for the small company a competitive advantage—the aggregation of factors that sets the small business apart from its competitors and gives it a unique position in the market. Every small firm must establish a plan for creating a unique image in the minds of its potential customers.

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Topic: Building a Competitive Advantage

AACSB: Analytic Skills

124) What is the importance of positioning for the small business?

Answer: When a small business knows its position in the market, it is able to focus everyone's attention on the future, it determines the decisions the company makes, and it motivates employees to pursue attainable goals.

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Topic: The Strategic Management Process, Step 1

AACSB: Communication

125) Discuss the importance of knowing your firm's strengths and weaknesses and what opportunities and threats exist in the external environment.

Answer: Strengths are positive internal factors; weaknesses are negative internal factors. Opportunities are positive external options; threats are negative external forces.

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Topic: The Strategic Management Process, Step 2, 3

AACSB: Communication

126) Why is it important for a business owner to monitor the competition? Explain how a business owner could use a competitive profile matrix to do that. Include in the review what its value is, what information it contains, and how a small business owner would create it.

Answer: Business owners should know their competitors almost as well as they know their own company. A competitive profile matrix is a helpful tool for analyzing competitors' strengths and weaknesses.

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Topic: The Strategic Management Process, Step 5

AACSB: Reflective Thinking

127) Create three goals and objectives for the following small company:

An Internet database for small business exporters that offers to match domestic entrepreneurs to foreign distributors, venture capitalists, and/or joint venture candidates. The company takes a percentage fee for its service.

Answer: Goals are the broad, long range attributes that the firm seeks to accomplish. Objectives are quantifiable and more precise; they should be specific, measurable, assignable, realistic, timely, and written down. The process works best when subordinate managers and employees are actively involved. Student's answer may vary.

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Topic: The Strategic Management Process, Step 6

AACSB: Reflective Thinking

128) Michael Porter defines three basic strategies cost leadership, differentiation, and focus.

Describe each, explain under what conditions each works, and what the pitfalls are of each one.

Answer:

- A company pursuing a cost leadership strategy strives to be the lowest-cost producer relative to its competitors in the industry.
- A company following a differentiation strategy seeks to build customer loyalty by positioning its goods or services in a unique or different fashion. In other words, the firm strives to be better than its competitors at something that its customers value.
- A focus strategy recognizes that not all markets are homogeneous. The principal idea of this strategy is to select one (or more) segment(s); identify customers' special needs, wants, and interests; and approach them with a good or service designed to excel in meeting these needs, wants, and interests. Focus strategies build on differences among market segments.

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Topic: The Strategic Management Process, Step 7

AACSB: Analytic Skills

129) Explain the "balanced scorecard," reviewing its strengths and the four perspectives it takes in evaluating a business.

Answer: Just as a pilot in command of a jet cannot fly safely by focusing on a single instrument, an entrepreneur cannot manage a company by concentrating on a single measurement. The balanced scorecard is a set of measurements unique to a company that includes both financial and operational measures and gives managers a quick yet comprehensive picture of the company's total performance.

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Topic: The Strategic Management Process, Step 9

AACSB: Analytic Skills