

Chapter 1: Introducing Strategic Management

1) Tim Hortons is the largest seller of doughnuts in Canada.

- A) True
- B) False

Answer: True

Diff: 1 Type: TF Skill: Recall

2) Tim Hortons saw the customer—not the competition— as the point of focus.

- A) True
- B) False

Answer: True

Diff: 1 Type: TF Skill: Recall

3) Krispy Kreme Doughnuts' free distribution of doughnuts to customers prior to a store opening is an example of direct advertising.

- A) True
- B) False

Answer: False

Diff: 2 Type: TF Skill: Recall

4) Krispy Kreme's manufacturing its own doughnut-making machinery is an example of vertical integration.

- A) True
- B) False

Answer: True

Diff: 2 Type: TF Skill: Recall

5) Krispy Kreme's producing its own doughnut mixes is an example of horizontal integration.

- A) True
- B) False

Answer: False

Diff: 2 Type: TF Skill: Recall

6) Tim Hortons' decision to expand in the U.S. and Canada at the same time is an example of a conglomerate strategy.

- A) True
- B) False

Answer: False

Diff: 1 Type: TF Skill: Recall

7) Wendy's International's purchase of Tim Hortons is an example of a vehicle for entering a new arena.

- A) True
- B) False

Answer: True

Diff: 2 Type: TF Skill: Application

8) Tim Hortons' decision to expand into other baked goods and lunch items such as soup, chili and sandwiches is an example of staging.

- A) True
- B) False

Answer: False

Diff: 2 Type: TF Skill: Application

9) Tim Hortons is able to beat its competitors to good locations. This is an example of strategy execution.

- A) True
- B) False

Answer: True

Diff: 1 Type: TF Skill: Recall

10) The knowing-doing gap indicates that managers are better implementing strategies than formulating them.

- A) True
- B) False

Answer: False

Diff: 1 Type: TF Skill: Recall

11) Tim Hortons moved from being a coffee and doughnut business to being a quick service business to respond to a cultural shift.

- A) True
- B) False

Answer: True

Diff: 2 Type: TF Skill: Recall

12) Ron Joyce of Tim Hortons is an example of a weak strategic leader.

- A) True
- B) False

Answer: False

Diff: 1 Type: TF Skill: Recall

13) The current situation of a company is a result of past decisions made by its managers, customers, and competitors.

- A) True
- B) False

Answer: True

Diff: 1 Type: TF Skill: Recall

14) Most business industries are relatively stable, because significant industry changes take many years to implement.

- A) True
- B) False

Answer: False

Diff: 2 Type: TF Skill: Recall

15) Research suggests that managers are better at strategy implementation than strategy formulation.

- A) True
- B) False

Answer: False

Diff: 1 Type: TF Skill: Recall

16) Strategy implementation is generally less important than strategy formulation for business success.

- A) True
- B) False

Answer: False

Diff: 1 Type: TF Skill: Recall

17) Good strategies affect all the functional areas of the company.

- A) True
- B) False

Answer: True

Diff: 1 Type: TF Skill: Recall

18) Successful strategies are often formulated without input from those who will later implement the strategies.

- A) True
- B) False

Answer: False

Diff: 2 Type: TF Skill: Recall

19) The big-picture perspective of a business strategy differs significantly from the tactics used to implement the strategy.

A) True

B) False

Answer: True

Diff: 2 Type: TF Skill: Recall

20) Successful strategies are usually formulated by focusing on a single functional business area.

A) True

B) False

Answer: False

Diff: 2 Type: TF Skill: Recall

21) Business strategy operates as a zero-sum game in which Tim Hortons' wins represent Krispy Kreme's losses.

A) True

B) False

Answer: False

Diff: 1 Type: TF Skill: Recall

22) Firms that compete in certain aspects of business may actually cooperate in other business areas.

A) True

B) False

Answer: True

Diff: 2 Type: TF Skill: Recall

23) A conglomerate is a business that is so diversified it does not fit into one specific industry category.

A) True

B) False

Answer: True

Diff: 1 Type: TF Skill: Recall

24) Business-level strategies are focused on developing and pursuing goals and objectives within specific markets or industry segments.

- A) True
- B) False

Answer: True

Diff: 2 Type: TF Skill: Recall

25) Corporate strategies are used by businesses that compete in a single industry or business segment.

- A) True
- B) False

Answer: False

Diff: 2 Type: TF Skill: Recall

26) Corporate-level strategies are most appropriate for diversified businesses that compete in many different and unrelated businesses and industries.

- A) True
- B) False

Answer: True

Diff: 2 Type: TF Skill: Recall

27) Top management takes a holistic approach when they decisions without considering the primary and secondary effects of those decisions.

- A) True
- B) False

Answer: False

Diff: 2 Type: TF Skill: Recall

28) In the strategic management process, goals and objectives are made after strategies have been formulated.

- A) True
- B) False

Answer: False

Diff: 2 Type: TF Skill: Recall

29) Tim Hortons and Krispy Kreme diversifying into the coffee-roasting business is an example of corporate strategy.

- A) True
- B) False

Answer: True

Diff: 2 Type: TF Skill: Recall

30) Strategy implementation is defined as the process of deciding what a firm should do.

- A) True
- B) False

Answer: False

Diff: 1 Type: TF Skill: Recall

31) The process of implementing strategy should provide information that can be used to modify a firm's strategy.

- A) True
- B) False

Answer: True

Diff: 2 Type: TF Skill: Recall

32) Strategy formulation is a part of strategic management that focuses on the specific actions that a firm uses to achieve strategic goals and objectives.

- A) True
- B) False

Answer: False

Diff: 1 Type: TF Skill: Recall

33) Effective strategies always arise out of unplanned decisions and actions.

- A) True
- B) False

Answer: False

Diff: 1 Type: TF Skill: Recall

34) The term *arena* is defined as what a firm wants to become in the future.

- A) True
- B) False

Answer: False

Diff: 2 Type: TF Skill: Recall

35) Customization of products and services is a major way to exploit various targeted arenas.

- A) True
- B) False

Answer: True

Diff: 2 Type: TF Skill: Recall

36) Vision statements tend to be very general, while arenas are identified very specifically.

- A) True
- B) False

Answer: True

Diff: 1 Type: TF Skill: Recall

37) Acquisition of other businesses is a main vehicle that firms can use to enter new market or industry segments.

- A) True
- B) False

Answer: True

Diff: 3 Type: TF Skill: Recall

38) Differentiators are defined as areas where a firm chooses to compete in the marketplace.

- A) True
- B) False

Answer: False

Diff: 2 Type: TF Skill: Recall

39) Major differentiators include services that help a business outperform their competitors, including brand image, customization, technical superiority, price, quality, and reliability.

- A) True
- B) False

Answer: True

Diff: 2 Type: TF Skill: Recall

40) Identifying and exploiting differentiators demonstrates that a firm is successful at making tough choices and deciding on tradeoffs.

- A) True
- B) False

Answer: True

Diff: 2 Type: TF Skill: Recall

41) *Staging* refers to the timing and pace of strategic moves that are influenced by how a firm uses available resources such as cash, human capital, and knowledge.

- A) True
- B) False

Answer: True

Diff: 1 Type: TF Skill: Recall

42) Staging decisions are typically driven by a single factor, such as resources, urgency, credibility, or the need for early wins.

A) True

B) False

Answer: False

Diff: 3 Type: TF Skill: Recall

43) Economic logic is the means by which a firm will earn a profit by implementing a strategy.

A) True

B) False

Answer: True

Diff: 1 Type: TF Skill: Recall

44) Strategy implementation results when a firm performs specific tasks that are required to achieve the goals and objectives described in the strategic plan.

A) True

B) False

Answer: True

Diff: 1 Type: TF Skill: Recall

45) Intel's decision to make processors for calculators led to willingness to follow a market-demand switch. Its ultimate domination of the computer microprocessor industry is seen as an example of an unrealized strategy.

A) True

B) False

Answer: False

Diff: 2 Type: TF Skill: Recall

46) A good strategy will focus only on the area of the strategy diamond that is most readily adaptable.

A) True

B) False

Answer: False

Diff: 3 Type: TF Skill: Recall

47) Research in Motion (RIM)'s decision to acquire Dash Navigation for GPS capabilities to incorporate in RIM's devices is an example of economic logic.

- A) True
- B) False

Answer: False

Diff: 2 Type: TF Skill: Recall

48) The more valuable differentiators materialize earlier in the marketplace battle due to tough decisions about tradeoffs.

- A) True
- B) False

Answer: True

Diff: 2 Type: TF Skill: Recall

49) Audi's decision to move upmarket by improving quality and image was due to customers' perceptions of key differentiators.

- A) True
- B) False

Answer: True

Diff: 2 Type: TF Skill: Recall

50) The three categories of implementation levers are organizational structure, systems and processes, and technology.

- A) True
- B) False

Answer: False

Diff: 1 Type: TF Skill: Recall

51) Organization structure includes authority, hierarchy, units, and information systems.

- A) True
- B) False

Answer: False

Diff: 2 Type: TF Skill: Recall

52) Competitive advantage is generally tied to the company's human resources.

- A) True
- B) False

Answer: True

Diff: 2 Type: TF Skill: Recall

53) Strategic leadership involves: (1) making substantive implementation lever and resource-allocation decisions and (2) attempting to achieve competitive advantage over their rivals when serving target customers.

- A) True
- B) False

Answer: False

Diff: 3 Type: TF Skill: Application

54) WestJet's decision to offer a single class of passenger service is an example of a decision regarding the "arenas" element of strategy.

- A) True
- B) False

Answer: False

Diff: 3 Type: TF Skill: Recall

55) WestJet's using a western hub and an eastern hub is an example of a strategic decision concerning arenas.

- A) True
- B) False

Answer: True

Diff: 2 Type: TF Skill: Recall

56) WestJet's use of temporary seat sales is an example of a staging decision.

- A) True
- B) False

Answer: False

Diff: 2 Type: TF Skill: Recall

57) The economic logic of WestJet's strategy is based on a low-cost structure. This means that WestJet management is unable to utilize differentiation.

- A) True
- B) False

Answer: False

Diff: 3 Type: TF Skill: Application

58) In 2007, WestJet offered flights to the Bahamas. This is a vehicle that WestJet has used to compete in the international market.

- A) True
- B) False

Answer: False

Diff: 3 Type: TF Skill: Application

59) WestJet's vision is "to enrich the lives of everyone in WestJet's world by providing safe, friendly, and affordable air travel." This vision is aligned with a low-cost strategy of offering only one class of service.

- A) True
- B) False

Answer: True

Diff: 2 Type: TF Skill: Application

60) If WestJet's fares increase as the time of the flight approaches, these fares would have to remain lower than competitors if WestJet wished to maximize revenues while offering good value for money.

- A) True
- B) False

Answer: True

Diff: 3 Type: TF Skill: Application

61) A goal of implementation is to ensure that strategy formulation is comprehensive and well informed.

- A) True
- B) False

Answer: True

Diff: 1 Type: TF Skill: Recall

62) A major goal of strategy implementation is to translate good ideas into action and translate actions into good ideas.

- A) True
- B) False

Answer: True

Diff: 3 Type: TF Skill: Recall

63) Organizational structure is the least important of all three major strategic levers.

- A) True
- B) False

Answer: False

Diff: 3 Type: TF Skill: Recall

64) Systems consist of the organizational processes and procedures that a firm uses in its daily operations, such as controls and incentives, resource-allocation procedures, budgets, and distribution.

- A) True
- B) False

Answer: True

Diff: 1 Type: TF Skill: Recall

65) In most businesses, the information necessary to formulate strategy can be found with a small group of leaders.

- A) True
- B) False

Answer: False

Diff: 2 Type: TF Skill: Recall

66) Competitive advantage occurs when a firm has more resources than its competitors.

- A) True
- B) False

Answer: False

Diff: 3 Type: TF Skill: Recall

67) A firm that achieves competitive advantage can usually maintain it over time.

- A) True
- B) False

Answer: False

Diff: 2 Type: TF Skill: Recall

68) The internal perspective assumes that firms can create a competitive advantage by having resources that are rare or costly to imitate.

- A) True
- B) False

Answer: True

Diff: 2 Type: TF Skill: Recall

69) The external perspective indicates that differences in competitive advantage are more often a function of industry attractiveness than a function of the firm's position in the industry.

- A) True
- B) False

Answer: True

Diff: 3 Type: TF Skill: Recall

70) The external perspective on competitive advantage is based on the assumption that differences in competitive advantage are a function of the uniqueness of the firm.

- A) True
- B) False

Answer: False

Diff: 2 Type: TF Skill: Recall

71) The competitive advantage held by one firm over its competitors tends to change more slowly in stable markets.

- A) True
- B) False

Answer: True

Diff: 1 Type: TF Skill: Recall

72) The competitive advantage of a firm over its competitors tends to change more slowly in unpredictable markets.

- A) True
- B) False

Answer: False

Diff: 1 Type: TF Skill: Recall

73) The dynamic strategy perspective is particularly useful for analyzing markets that change rapidly and unpredictably.

- A) True
- B) False

Answer: True

Diff: 1 Type: TF Skill: Recall

74) In markets that are dominated by only a few firms, the degree of industry stability has no effect on competitive advantage.

- A) True
- B) False

Answer: False

Diff: 3 Type: TF Skill: Recall

75) Research shows that few firms persist with their competitive advantage over prolonged periods of time.

- A) True
- B) False

Answer: True

Diff: 1 Type: TF Skill: Recall

76) The dynamic perspective indicates that the current market position of a firm is not an accurate predictor of its future performance.

- A) True
- B) False

Answer: True

Diff: 2 Type: TF Skill: Recall

77) The dynamic perspective tends to explain the medical products industry more accurately than it explains the computer industry.

- A) True
- B) False

Answer: False

Diff: 3 Type: TF Skill: Recall

78) The dynamic perspective is useful as a tool for examining industries in which firms tend to encounter the same competitors in multiple markets.

- A) True
- B) False

Answer: True

Diff: 2 Type: TF Skill: Recall

79) The dynamic perspective looks at how a firm arrived at its current market position to predict future competitive advantage.

- A) True
- B) False

Answer: True

Diff: 2 Type: TF Skill: Recall

80) A company may achieve relatively high short-term performance levels without gaining any competitive advantage.

- A) True
- B) False

Answer: True

Diff: 1 Type: TF Skill: Recall

81) Research In Motion entered the mobile phone industry with formidable incumbents and earned substantial profits. This indicates that competitive advantage does not exist in perpetuity.

- A) True

B) False

Answer: True

Diff: 3 Type: TF Skill: Recall

82) Proponents of the resource-based view of the company argue that the position of companies in the industry relative to competitors is the basis of competitive advantage.

A) True

B) False

Answer: False

Diff: 2 Type: TF Skill: Recall

83) The resource-based view holds that a company's bundle of resources may hinder its entry into new businesses.

A) True

B) False

Answer: True

Diff: 2 Type: TF Skill: Recall

84) Canadian firms that lobby the federal government for import duties are trying to impact industry attractiveness and therefore rely on the dynamic perspective.

A) True

B) False

Answer: False

Diff: 2 Type: TF Skill: Recall

85) Krispy Kreme's lack of sustained profit growth became evident once it stopped entering new markets. The company was facing a temporary surge in sales due to fad-like appeal when it entered these new markets like Canada. The company's collapse is evidence of the value of a dynamic perspective to competitive advantage.

A) True

B) False

Answer: True

Diff: 2 Type: TF Skill: Recall

86) Which of the following strategy components was least helpful for Krispy Kreme Doughnuts' early success in the doughnut business?

A) The company was vertically integrated in making, retailing, and wholesaling the finished product

B) The hiring of three chief financial officers in four years

- C) The use of low-cost publicity gimmicks instead of direct advertising
- D) They built up the brand through an emotional bond with customers

Answer: B

Diff: 2 Type: MC Skill: Recall

87) Which of the following is NOT an example of Krispy Kreme Doughnuts' vertical integration strategies?

- A) Acquisition of Digital Java Inc.
- B) Becoming a publicly traded company
- C) Manufacturing its own doughnut-making machinery
- D) Producing its own doughnut mixes

Answer: B

Diff: 2 Type: MC Skill: Recall

88) Which of the following is NOT a reason for the ongoing success of Tim Hortons in Canada?

- A) Providing products that the customers wanted
- B) Having systems that delivered those products efficiently
- C) The failure of Krispy Kreme Doughnuts Inc. in Canadian expansion
- D) Evolving from a doughnut shop into a quick-service restaurant

Answer: C

Diff: 2 Type: MC Skill: Recall

89) Joyce resigned from the Wendy's Board in 2003 because:

- A) Krispy Kreme Doughnuts was expanding into the Canadian market
- B) He disagreed with the decision to start using par-baked products
- C) He had less say in what happened at Tim Hortons
- D) Wendy's spun out Tim Hortons as a standalone public company

Answer: B

Diff: 2 Type: MC Skill: Recall

90) Which of the following is NOT one of the three overarching themes to developing competency in the field of strategic management?

- A) The formulation of a good strategy and its implementation should be inextricably connected
- B) Companies and industries are dynamic in nature
- C) The big picture perspective is fundamentally different from the detail of operational tactics
- D) Strategic leadership is essential if a company is to both formulate and implement strategies that create value

Answer: C

Diff: 2 Type: MC Skill: Recall

91) Which of the following maintains the ultimate responsibility for strategy within an organization?

- A) senior management
- B) employee teams
- C) lower-level managers
- D) mid-level executives

Answer: A

Diff: 1 Type: MC Skill: Recall

92) Business-level and corporate-level strategies are least likely to share which of the following elements?

- A) breadth of focus
- B) focus on quality and efficiency
- C) focus on cash flow maximization
- D) focus on profit maximization

Answer: A

Diff: 3 Type: MC Skill: Recall

93) Which type of firm would most likely use corporate-level strategies?

- A) firms that choose to compete in an attractive industry
- B) firms that compete in only a single business or market segment
- C) firms that compete in many diversified or unrelated businesses and industries
- D) firms that possess superior capabilities

Answer: C

Diff: 2 Type: MC Skill: Application

94) Which of the following describes the most appropriate use of business-level strategies?

- A) pursuing opportunities within a specific business
- B) managing diversified businesses
- C) outsourcing production to overseas divisions
- D) competing in hypercompetitive markets

Answer: A

Diff: 2 Type: MC Skill: Application

95) A conglomerate is best described as _____.

- A) a business that is not diversified
- B) a highly diversified business that does not fit into one specific category
- C) a business that sells only one product
- D) a business that fits into a specific market or industry category

Answer: B

Diff: 2 Type: MC Skill: Recall

96) The strategic management process features all of the following components EXCEPT:

- A) Vision and mission
- B) Specific tactics
- C) Internal and external analysis
- D) Strategic leadership

Answer: B

Diff: 2 Type: MC Skill: Recall

97) A strategy can most accurately be defined as:

- A) The coordinated means by which an organization pursues its goals
- B) How vision, goals, and objectives are put into analysis
- C) Making the tradeoff decisions that allow the business to make the best of the future
- D) Developing insights into business situations as they occur

Answer: A

Diff: 2 Type: MC Skill: Recall

98) Which of the following best describes decisions that companies must make in regards to business-level strategy?

- A) What strategies are used by the business in various industries
- B) Which industries the corporation will be in
- C) How the company will achieve its objectives today and tomorrow
- D) How to enter and leave an industry

Answer: C

Diff: 2 Type: MC Skill: Application

100) Wal-Mart diversified into multiple businesses due to which of the following factors:

- A) Cooperating with suppliers of technology
- B) Increase in foot traffic
- C) Increased industry awareness
- D) Increased specialization in the retail industry

Answer: B

Diff: 2 Type: MC Skill: Recall

101) Which of the following is the core business of Rolls-Royce PLC?

- A) Luxury car sales
- B) Aircraft maintenance

- C) Car engines
- D) Jet engines

Answer: D

Diff: 2 Type: MC Skill: Recall

- 102) Which statement about the strategic management process is most accurate?
- A) Strategic management is determined by forces in the firm's external environment.
 - B) Strategic management is a formula used to develop strategies.
 - C) Strategic management explains why firms translate their vision into actions.
 - D) Strategic management should be focused on both strategy formulation and implementation.

Answer: D

Diff: 2 Type: MC Skill: Application

- 103) Which of the following concepts describes the process used to decide what a firm should do?
- A) strategy implementation
 - B) strategy integration
 - C) strategic alignment
 - D) strategy formulation

Answer: D

Diff: 1 Type: MC Skill: Recall

- 104) Which concept describes how a firm determines the objectives and tasks that are required to put a plan into action?
- A) strategy implementation
 - B) strategy alignment
 - C) strategy formulation
 - D) strategy integration

Answer: A

Diff: 1 Type: MC Skill: Recall

- 105) The initial plan behind a strategy is best described as the _____ strategy.
- A) intended
 - B) unrealized
 - C) emergent
 - D) realized

Answer: A

Diff: 2 Type: MC Skill: Recall

106) A senior manager is reviewing the components of the strategy diamond with her staff. When naming the five major components, she lists all of the following except _____.

- A) differentiators
- B) vehicles
- C) staging
- D) competitors

Answer: D

Diff: 3 Type: MC Skill: Recall

107) Which of the following is not a key component of strategy included as part of the strategy diamond?

- A) evaluation
- B) vehicles
- C) differentiators
- D) staging

Answer: A

Diff: 1 Type: MC Skill: Recall

108) A company hires a business consultant to help identify key differentiators that may increase the company's competitive advantage. In discussing possible differentiators, the consultant is least likely to mention which of the following?

- A) price
- B) speed to market
- C) product categories
- D) image

Answer: C

Diff: 3 Type: MC Skill: Application

109) Which of the following factors relates to staging as described in the business strategy diamond?

- A) business alliances
- B) product styling
- C) market segments
- D) speed of expansion

Answer: D

Diff: 2 Type: MC Skill: Recall

110) _____ are not an arena described in the business strategy diamond.

- A) Delivery channels
- B) Mergers and acquisitions
- C) Product and service categories

D) Market segments

Answer: B

Diff: 2 Type: MC Skill: Recall

111) A research associate is requested by his boss to write a report identifying potential new arenas in which the business might launch overseas operations. Which of the following categories is the associate least likely to include as a potential arena in his report?

- A) technologies
- B) customers
- C) product categories
- D) channels

Answer: B

Diff: 3 Type: MC Skill: Application

112) Which of the following is not an example of a vehicle as described in the strategy diamond?

- A) joint ventures
- B) internal development
- C) licensing
- D) customer service

Answer: D

Diff: 2 Type: MC Skill: Recall

113) _____ is/are not a vehicle described in the business strategy diamond.

- A) Reputation
- B) Franchising
- C) Acquisitions
- D) Joint ventures

Answer: A

Diff: 2 Type: MC Skill: Recall

114) A company makes a decision to expand only by developing new stores internally. The company can best be described as using which of the following?

- A) the vehicle of organic growth
- B) the vehicle of acquisition
- C) the economic logic of customization
- D) the differentiator of alliances

Answer: A

Diff: 3 Type: MC Skill: Application

- 115) In the perceptions of consumers, low prices tend to be associated with _____.
A) low quality
B) wide availability
C) fast ship times
D) state-of-the-art technology

Answer: A

Diff: 2 Type: MC Skill: Recall

- 116) A company decides to expand its business operations overseas. It plans to enter Asia first, followed by Europe and then Africa. This type of planning is an example of which of the following aspects of business strategy?
A) economic logic
B) staging
C) vehicles
D) arenas

Answer: B

Diff: 2 Type: MC Skill: Application

- 117) Acme Wholesale Supply is considering expanding its sales operations overseas. Which of the following factors is most likely to have a major impact on Acme's decision regarding staging of the expansion?
A) prices
B) locations
C) resources
D) channels

Answer: C

Diff: 3 Type: MC Skill: Application

- 118) A company plans to maximize its profits by charging premium prices for superior customer service. This plan represents an example of which of the following aspects of strategy?
A) economic logic
B) arenas
C) vehicles
D) staging

Answer: A

Diff: 2 Type: MC Skill: Recall

- 119) Which of the following would be least likely to drive a company's staging decision regarding expansion into a particular market?
A) the need for early wins in the proposed expansion market
B) a brief, time-bound window of opportunity for the expansion

- C) a sense of urgency posed by technological advances in the market
- D) significant financial resources made available for the expansion

Answer: D

Diff: 3 Type: MC Skill: Application

120) A company executive makes a presentation to the company's shareholders regarding the major components of the company's business strategy. Which of the following is the executive least likely to mention when explaining the component of economic logic?

- A) economies of scale
- B) internal development
- C) proprietary product features
- D) superior service

Answer: B

Diff: 3 Type: MC Skill: Application

121) The concept of strategic alignment can best be described as _____.

- A) the way that firms choose to develop their capabilities
- B) the need for the firm's activities to compliment each other and support the overall strategy
- C) the way that firms choose to use their resources
- D) the need to increase competitive advantage by selecting an attractive industry

Answer: B

Diff: 2 Type: MC Skill: Recall

122) _____ is/are not one of the levers used to achieve strategic alignment.

- A) Processes
- B) Profitability
- C) Organizational structure
- D) Reward systems

Answer: B

Diff: 1 Type: MC Skill: Application

123) All of the following are aspects of organizational structure except _____.

- A) budgeting
- B) units
- C) hierarchy
- D) authority

Answer: A

Diff: 2 Type: MC Skill: Recall

124) A business utilizing the “people and rewards” implementation lever would most likely carry out which of the following?

- A) decentralizing the company's business operations
- B) instituting just-in-time inventory control
- C) reorganizing the company's management hierarchy
- D) providing on-the-job training programs

Answer: D

Diff: 3 Type: MC Skill: Application

125) In a planning meeting, a CEO discusses the main strategic levers that the company intends to use as part of its strategic implementation efforts. The CEO most likely mentions all of the following except _____.

- A) organizational structure
- B) core capability
- C) effectiveness of people management
- D) reward systems

Answer: B

Diff: 3 Type: MC Skill: Application

126) Which of the following is NOT an aspect of strategy?

- A) Intended
- B) Unintentional
- C) Deliberate
- D) Emergent

Answer: B

Diff: 2 Type: MC Skill: Recall

127) Which of the following is an example of an emergent strategy:

- A) Tim Hortons expanding their product line to include lunch items
- B) Krispy Kreme Doughnuts hiring three chief financial officers in four years
- C) The unplanned success of gimmicky PR tactics by Krispy Kreme
- D) The decision to sell Tim Hortons to Wendy's

Answer: C

Diff: 2 Type: MC Skill: Application

128) Which of the following is an example of an unrealized strategy:

- A) Krispy Kreme's planned adaptation to the decreased sales in Canada and the U.S.
- B) Tim Hortons' vertical integration into the coffee roasting business
- C) Krispy Kreme's decision to sell shares publicly
- D) Krispy Kreme filing for bankruptcy in 2005

Answer: A

Diff: 2 Type: MC Skill: Application

- 129) Which of the following is NOT an example of the unethical behaviour exhibited by Krispy Kreme Doughnuts?
- A) Not disclosing the conflicts of interest in buying back franchises
 - B) Classifying franchises that were bought back as intangible assets that it did not have to amortize
 - C) The use of low-cost publicity gimmicks instead of direct advertising
 - D) “Channel stuffing” – delivering more doughnuts to retailers than they ordered to increase revenue in a reporting period

Answer: C

Diff: 2 Type: MC Skill: Application

- 130) If a company requires a new technology, which of the following is NOT a vehicle to do so?
- A) Develop it through investments in R&D
 - B) Form an alliance with a supplier who already possesses the technology
 - C) Buy another company that has the technology they want
 - D) Adapting products to operate on a different technology

Answer: D

Diff: 3 Type: MC Skill: Application

- 131) Which of the following is NOT a key factor in selecting differentiators?
- A) These decisions must be made early
 - B) Being aware of the practical and the perceptual problems with selecting differentiators
 - C) These differentiators must operate at a global level
 - D) Identifying and executing successful differentiators means making tradeoffs

Answer: C

Diff: 2 Type: MC Skill: Application

- 132) Audi moved upmarket by improving product quality and image. Which of the following is an example of a tradeoff that Audi would likely be able to make in moving upmarket?
- A) Image
 - B) Technical superiority
 - C) Convenience
 - D) Quality

Answer: C

Diff: 3 Type: MC Skill: Application

- 133) Wal-Mart's decision to delay its international moves so that it could focus first on dominating the U.S. market is an example of which of the following?
- A) Staging
 - B) Arenas
 - C) Economic logic
 - D) Differentiators

Answer: A

Diff: 1 Type: MC Skill: Application

- 134) If BMW launched a low market model to compete with manufacturers such as Kia, which differentiator might be most difficult to position in the minds of customers?
- A) Proprietary technology
 - B) Price
 - C) Customization
 - D) Technical superiority

Answer: B

Diff: 3 Type: MC Skill: Application

- 135) In which of the following examples does economic logic reside primarily on the *cost* side of the equation?
- A) BMW vs. Mercedes
 - B) WestJet vs. Air Canada
 - C) Apple vs. RIM
 - D) Tim Hortons vs. Krispy Kreme

Answer: B

Diff: 2 Type: MC Skill: Application

- 136) Which of the following is one of the key organizational structure questions that must be considered when implementing a strategy?
- A) What reporting relationships are in place to support the strategy?
 - B) What trained staff is available to deploy for the strategy?
 - C) What financial resources are necessary to coordinate the strategy?
 - D) How is the strategy aligned with senior management?

Answer: A

Diff: 2 Type: MC Skill: Application

- 137) Which of the following is not part of organizational systems and processes?
- A) Compensation management
 - B) Technology
 - C) Information systems
 - D) Budgeting processes

Answer: B

Diff: 2 Type: MC Skill: Application

138) WestJet achieved early success by copying many of the features of which of the following Airlines?

- A) Air Canada
- B) JetBlue
- C) Porter
- D) United Airlines

Answer: B

Diff: 1 Type: MC Skill: Recall

139) Which of the following is a differentiator used by WestJet?

- A) Not using interlining baggage and ticketing with other airlines
- B) Using a single type of aircraft
- C) Friendly and caring interaction with the “guest” at every point
- D) Forming an alliance with “Air Miles”

Answer: C

Diff: 1 Type: MC Skill: Application

140) In 2004, WestJet added flights to the United States and in 2007, WestJet added flights to the Bahamas. WestJet’s vision includes “By 2016, WestJet will be one of the five most successful international airlines in the world.” Which of the following would not be a good example of staging initiatives reflecting its timetable for achieving its objectives?

- A) Adding Barbados in 2009 and the U.K. in 2011
- B) Adding Barbados in 2016
- C) Adding the UK in 2011 and the Caribbean in 2013
- D) Adding China in 2012 and the UK in 2015

Answer: B

Diff: 1 Type: MC Skill: Application

141) The internal perspective on competitive advantage is also known as which of the following?

- A) dynamic perspective
- B) resource-based view
- C) industrial organization economics
- D) structural approach

Answer: B

Diff: 1 Type: MC Skill: Recall

142) Which of the following is not an assumption of the internal perspective?

- A) Firms acquire different resources and capabilities over time.
- B) Each firm is a unique collection of resources and capabilities.
- C) Resources are not highly mobile across firms.
- D) All firms possess the same strategically relevant resources.

Answer: D

Diff: 2 Type: MC Skill: Application

143) According to the internal perspective, the major determinant of competitive advantage is _____.

- A) the firm's resources and capabilities
- B) industry structure and positioning of the firm
- C) product differentiation
- D) the practice of adopting strategies to make an industry more attractive

Answer: A

Diff: 2 Type: MC Skill: Recall

144) According to the external perspective, which of the following has the greatest impact on a firm's competitive advantage?

- A) identifying the firm's key competitive advantage
- B) developing the firm's unique resources and capabilities
- C) proper utilization of the firm's human resources
- D) selecting the most attractive industry in which to compete

Answer: D

Diff: 2 Type: MC Skill: Application

145) Which of the following statements about the external perspective of competitive advantage is most accurate?

- A) The success of a strategy is determined by the forces within the firm's external environment and industry.
- B) Internationalization is a factor that leads to globalization.
- C) Firms should seek to maximize their returns by changing organizational structure in a manner consistent with the most efficient producers in any given industry.
- D) The firm's internal resources and capabilities represent the foundation for development of a value-creating strategy.

Answer: A

Diff: 3 Type: MC Skill: Application

146) According to Michael Porter's theory, which of the following influences whether firms achieve competitive advantage?

- A) having greater resources compared to competitors

- B) bundling together complementary resources
- C) possessing superior capabilities
- D) adopting strategies that will make their current industries more attractive

Answer: D

Diff: 2 Type: MC Skill: Application

147) Which statement about the dynamic perspective is true?

- A) The current market position of a firm is not an accurate predictor of its future performance.
- B) Competitive advantage is determined by the structure of the industry.
- C) A firm's market position tends to remain relatively stable over time.
- D) Competitive advantage is determined by industry attractiveness.

Answer: A

Diff: 2 Type: MC Skill: Recall

148) The _____ perspective argues that the structure of industries and positioning of products/services determine whether the firm achieves competitive advantage.

- A) external
- B) resource-based
- C) task environment
- D) general environmental

Answer: A

Diff: 3 Type: MC Skill: Recall

149) The _____ approach to strategic management argues that the development of unique capabilities is the major determinant of competitive advantage.

- A) strategic management diamond
- B) resource-based
- C) stakeholder
- D) industry forces

Answer: B

Diff: 2 Type: MC Skill: Recall

150) From the dynamic perspective, a successful firm is least likely to possess which of the following features?

- A) an emphasis on continuous learning
- B) willingness to experiment
- C) a slow response to change
- D) the ability to improvise

Answer: C

Diff: 2 Type: MC Skill: Application

- 151) Why would a company with a competitive advantage keep prices lower than its competitive position would otherwise allow?
- A) To develop a low-cost leadership position
 - B) To reduce industry barriers to entry
 - C) To eliminate competition and create a monopoly
 - D) To gain market share

Answer: D

Diff: 2 Type: MC Skill: Application

- 152) Why is it difficult for companies to sustain a competitive advantage over a long period of time?
- A) Entry of new competitors
 - B) Dated technology
 - C) Underperformance of competitors
 - D) Supplier initiatives

Answer: A

Diff: 2 Type: MC Skill: Application

- 153) Which of the following is an internal driver of dynamism?
- A) Competitive position
 - B) Stability
 - C) Experimentation
 - D) Identification

Answer: C

Diff: 2 Type: MC Skill: Application

- 154) Which of the following is an external driver of dynamism?
- A) Risk taking
 - B) Costs
 - C) Technology
 - D) Continuous learning

Answer: B

Diff: 2 Type: MC Skill: Application

- 155) A company that chooses to compete in an industry with “hyper-competition” is doing so because:
- A) A few large firms tend to dominate in terms of both size and brands.
 - B) It has a structure that is intricate and complex.
 - C) It has a strategy that is matched to the industry over a long period of time.
 - D) It is adept at making rapid changes in strategy.

Answer: D

Diff: 2 Type: MC Skill: Application

156) Tim Hortons was more successful in Canada than Krispy Kreme due to which of the following factors:

- A) It was more adept at identifying fads.
- B) It was able to alter the arenas it competed in.
- C) It relied on direct advertising instead of gimmicks.
- D) It was a younger company.

Answer: B

Diff: 2 Type: MC Skill: Application

157) What is the “knowing-doing gap” found among managers?

Answer:

The “knowing-doing gap” refers to the fact that managers are typically better at formulating strategies than they are at implementing them.

Diff: 2 Type: SA Skill: Recall

158) How is the concept of *strategy* defined?

Answer:

Strategy is defined as the central, integrated, externally-oriented concept of how a firm will achieve its objectives. A strategy thus encompasses the pattern of actions that have been taken and those that are to be taken by an organization in pursuing its objectives.

Diff: 1 Type: SA Skill: Recall

159) What are three examples of vehicles?

Answer:

internal development, joint ventures, licensing / franchising, alliances, mergers/acquisitions

Diff: 1 Type: SA Skill: Recall

160) What are the five elements of the strategy diamond?

Answer:

The elements are: arenas, staging, vehicles, differentiators, and economic logic.

Diff: 1 Type: SA Skill: Recall

161) What categories should be considered when analyzing a firm's economic logic?

Answer:

A firm's economic logic can be analyzed in terms of both costs and revenues. Sometimes economic logic resides primarily on the cost side of the equation. At other times, economic logic may rest on the firm's ability to increase the customer's willingness to pay premium prices for products.

Diff: 2 Type: SA Skill: Application

162) What are strategic implementation levers?

Answer:

Strategic implementation levers are the tools and resources that leaders use to carry out strategies. There are three types of strategic levers: organizational structure, systems and processes, and people and rewards.

Diff: 1 Type: SA Skill: Recall

163) What is the definition of *strategic alignment*?

Answer:

Strategic alignment is a requirement for effective strategy development. It means that all of the firm's activities are integrated and complement each other in support of the firm's strategy.

Diff: 2 Type: SA Skill: Recall

164) What role does strategic leadership play in the strategy implementation process?

Answer:

Strategic leadership is responsible for: 1) making substantive resource allocation decisions and 2) developing support for the strategy from key stakeholders.

Diff: 2 Type: SA Skill: Recall

165) The strategy diamond is a powerful and flexible tool. At which levels of strategic management can it be applied?

Answer:

It is a tool that can be applied at a product level (product strategy), business level (business strategy), corporate level (corporate strategy), and global level (international strategy).

Diff: 3 Type: SA Skill: Application

166) What is the relationship between strategy formulation and strategy implementation?

Answer:

Strategy formulation is the process of deciding what to do; strategy implementation is the process of performing all the activities necessary to do what has been planned. Because neither can succeed without the other, the two processes are iterative and interdependent from the standpoint that

implementation should provide information that is used to periodically modify the business and corporate strategy.

Diff: 3 Type: SA Skill: Application

167) What are the two critical factors to consider when selecting differentiators?

Answer:

In selecting differentiators, the first critical factor is that decisions must be made early. Key differentiators rarely materialize without significant up-front decisions, and without valuable differentiators, firms tend to lose marketplace battles.

Second, identifying and executing successful differentiators means making tough choices or tradeoffs. Managers who can't make tough decisions about tradeoffs often end up trying to satisfy too broad a spectrum of customer needs; as a result, they make too many strategic compromises and execute poorly on most dimensions.

Diff: 1 Type: SA Skill: Recall

168) What are the key elements of effective strategy implementation?

Answer:

Strategy implementation is the process of taking the actions that put the strategy into effect and ensuring that organizational decisions are consistent with it. The process of implementation also encompasses the refinement, or change, of a strategy, as more information is made available through early implementation efforts. The goal of implementation is twofold:

- a. to make sure that strategy formulation is comprehensive and well informed and
- b. to translate good ideas into actions that can be executed (and sometimes to use execution to generate or identify good ideas).

Diff: 2 Type: SA Skill: Recall

169) What are conglomerates?

Answer:

Companies having a portfolio of businesses in unrelated industries.

Diff: 1 Type: SA Skill: Recall

170) What is the difference between intended strategy and realized strategy?

Answer:

Intended strategy is the initial plan, and realized strategy is what is actually put in place and succeeds.

Diff: 1 Type: SA Skill: Recall

171) What are the three components of realized strategy?

Answer:

Parts of the realized strategy can be credited to *deliberate* choices and actions (i.e., intended strategies that are realized), and parts are due to unplanned ones (i.e., realized strategies that were not deliberate but nevertheless *emerged*). Finally, some aspect of the initial strategic plan is not realized at all, and drops by the wayside as *unrealized* strategy.

Diff: 3 Type: SA Skill: Recall

172) What four factors drive staging decisions?

Answer:

Resources, urgency, credibility, and the need for early wins.

Because few companies have the resources to do everything they would like to do immediately, they usually have to match opportunities with available resources. In addition, not all opportunities to enter new arenas are permanent; some windows of opportunity are open only for a short time. In such cases, early wins and the credibility with key stakeholders may be necessary to implement a strategy.

Diff: 3 Type: SA Skill: Recall

173) What is the goal of implementation?

Answer:

- (1) To make sure that strategy formulation is comprehensive and well informed.
- (2) To translate good ideas into actions that can be executed (and sometimes to use execution to generate or identify good ideas).

Diff: 2 Type: SA Skill: Recall

174) What are the key structural questions that managers must ask when implementing a strategy?

Answer:

- (1) Is the current structure appropriate for the intended strategy?
- (2) Are reporting relationships and the delegation of authority set up to execute the strategic plan?
- (3) Is the organization too centralized (or decentralized) for the strategy?

Diff: 3 Type: SA Skill: Recall

175) What are examples of organizational systems and processes that aid in implementing strategies?

Answer:

These are organizational processes and procedures that plan, coordinate, and control the work of people in the organization. They include control and incentive systems, resource-allocation procedures, information systems, budgeting, distribution, and so forth.

Diff: 2 Type: SA Skill: Recall

176) What are some examples where good performance may not be a competitive advantage?

Answer:

A company may achieve relatively high short-term performance levels without gaining any substantial advantage over its rivals. Maybe the company just had an unusually good year or took drastic measures to cut costs (perhaps to unsustainably low levels). By the same token, a company may enjoy significant competitive advantage in some lines of business but still perform more poorly than its competitors because of other underperforming business units or because it chooses to keep prices lower than its competitive position would otherwise allow achieving market share gains.

Diff: 3 Type: SA Skill: Recall

177) What are the three perspectives of competitive advantage?

Answer:

internal, external, dynamic

Diff: 1 Type: SA Skill: Recall

178) Why does the dynamic perspective combine both internal and external determinants of competitive advantage?

Answer:

Consider the management of a company that identifies an attractive opportunity in an industry. It then builds the resources and capabilities needed to exploit this opportunity. Over time the situation of the industry changes so that the position held by the business is less attractive and its resources and capabilities create less value. The implication is that competitive advantage is not sustained as changes in the environment and in resources and capabilities occur. To accommodate change, strategy needs to be dynamic and to change at the pace that change occurs so that the company's competitive advantage is sustained over time.

We look to the past for clues about how the company arrived at its current position and to the future to predict what the new competitive landscape will look like. The challenge is then to determine what management needs to do to sustain the competitive advantage of the company for the long-term.

Diff: 3 Type: SA Skill: Recall

179) According to Michael Porter's theory, what factors determine competitive advantage?

Answer:

This theory, sometimes called industrial organization economics (I/O economics), suggests that firms should do one of two things: 1) position themselves to compete in attractive industries or 2) adopt strategies that will make their current industries more attractive.

Diff: 2 Type: SA Skill: Recall

180) How does the holistic perspective set strategic management apart from functional management?

Answer:

Those who form the top management team of large corporations face much more complex problems than those encountered by employees at the bottom of the organizational hierarchy. They have to make frequent decisions with long-term consequences. They must weigh many pieces of information when making their decisions and also consider the primary and secondary effects of those decisions before committing to a particular alternative. Such a comprehensive view is said to be holistic in that one has a whole or total appreciation for the situation when making a decision.

The holistic perspective is what sets strategic management apart from functional management such as accounting, finance, marketing, and operations. In these studies, decisions were made from what was the correct functional answer. But at the top of the organization, the best functional answers can be incompatible or even contradictory. What top management has to do is determine what is best for the company as a whole. Finding this usually requires tradeoffs among the functional areas. Some of the “best” functional answers are seen as inappropriate given the broader situation as understood when one has a holistic perspective.

Diff: 2 Type: ES Skill: Recall

181) What is the difference between business strategy and corporate strategy? Provide an example of each.

Answer:

Business strategy refers to the ways a firm goes about achieving its objectives within a particular business. It focuses on achieving a firm's objectives within a particular business line. Two critical questions that business strategy must address are: 1) how the firm will achieve its objectives today when other companies may be competing to satisfy the same customers' needs and 2) how the firm plans to compete in the future.

Corporate strategy addresses issues related to managing a company that operates in more than one business. Specifically, corporate strategy addresses three main questions: 1) In what businesses will we compete? 2) How can we, as a corporate parent, add value to our various lines of business? 3) How will diversification or our entry into a new industry help us to compete in our other industries?

GE's business strategies would be how it pursues its objectives within the jet engine business. GE is diversified and operates in multiple industries. GE must decide how it will increase performance in its existing business units and these decisions fall under corporate strategy.

Diff: 2 Type: ES Skill: Application

182) In a short essay, identify the five elements of the strategy diamond and provide an example of each.

Answer:

The first element of the strategy diamond is **arenas**. Arenas are areas in which a firm will be active. Decisions about a firm's arenas may encompass its products, services, distribution channels, market segments, geographic areas, technologies, and even stages of the value-creation process. For example, Nike has made the choice to utilize a direct retail presence (Nike Town) as well as using traditional retail distribution channels.

The second element of the strategy diamond is **vehicles**. Vehicles are the means for participating in targeted arenas. For instance, a firm that wants to go international can achieve that objective in different ways. In China, Wal-Mart has opened new stores and grown organically— meaning that they have developed all the stores internally rather than through acquisition.

Differentiators comprise the third element of the strategy diamond.

Differentiators are the reasons why a firm's customers regularly choose its products or services over those of competitors. Differentiators can involve a number of common dimensions, including *image, customization, technical superiority, price, and quality and reliability*. For example, Krispy Kreme Doughnuts used "doughnut theatre" and "hot doughnuts now" to gain sales.

The fourth element of the strategy diamond, **staging**, refers to the timing and pace of strategic moves. Staging decisions are driven by several factors: resources, urgency, credibility, and the need for early wins. One staging example is RIM's decision to focus on the business market first before developing products for the consumer market.

The fifth element of the strategy diamond is **economic logic**, which refers to *how* the firm will earn a profit—that is, how the firm will generate positive returns over and above its cost of capital. Sometimes economic logic resides primarily on the *cost* side of the equation. WestJet Airlines, for example, can fly passengers for significantly lower costs per passenger mile than any major competitor. At other times, economic logic may rest on the firm's ability to increase the customer's willingness to pay premium prices for products.

Diff: 2 Type: ES Skill: Application

- 183) Apply the strategy diamond to WestJet. Provide examples in each of the five areas to illustrate how Westjet utilizes arenas, vehicles, differentiators, and staging and what is the economic logic of their strategy?

Answer:

Arenas

The company competes as a low-fare commercial air carrier in the North American market. It has two hubs serving the market: a western hub in Calgary and an eastern hub in Toronto.

Vehicles

WestJet started from scratch and grew organically. Over time it pursued alliances to improve revenues and lower costs. One revenue-improving alliance was with Transat A.T. Transat offered all-inclusive vacation packages for which WestJet provided flights. One cost-reducing alliance was with the Loyalty Management Group. WestJet used Loyalty's "Air Miles" reward program rather than run its own.

Differentiators

WestJet developed the image of a low-fare airline with high-quality service. Although it offers only one class of service, it betters Air Canada through friendly and caring interaction with the "guest" at every point. Guests receive value-added enhancements such as onboard live-satellite television, enhanced legroom on some planes, leather seats, and buy-on-board food service. The airline also provides attractive flights because they are frequent and point-to-point.

Staging

WestJet grew from being a low-cost regional carrier to a national airline. In 1996, it started with short-haul, point-to-point flights in Western Canada. In 1999, it expanded to Eastern Canada to provide low-fare capacity on long-haul routes. In 2004, it began flights to the United States. In 2007, WestJet added flights to Nassau in the Bahamas, and it has aspirations to fly to other international destinations as well.

Economic logic of *WestJet's strategy*?

On the revenue side, WestJet works to maximize revenues by balancing maximum passenger revenues with optimal load factors. This is done by offering multiple fare levels, with fares increasing as the time of the flight approaches. Temporary seat sales are used to stimulate demand. Last-minute fares are highest but are generally lower than competitors and offer good value for money. The airline added routes that were attractive to passengers and dropped those that proved unprofitable. It also pursued other sources of revenue, using planes for charter and cargo flights.

On the cost side, WestJet holds a low-cost structure. This is accomplished through numerous decisions, some of which follow. West-jet flies point-to-point so flights can be run as frequently as volume supports full planes. WestJet also keeps costs down by offering a single class of service, and by not offering meal service, city ticket offices, or airport lounges, nor interlining baggage and ticketing with other airlines. WestJet uses a single type of aircraft, Boeing 737s, because this provided

greater efficiency in crew training, crew scheduling, and maintenance than multi-aircraft airlines. And making reservations is low cost because they are made using ticketless automated systems.

WestJet has found a way to prosper by effectively aligning the five elements of its strategy so that they are internally consistent and externally generate market demand.

Walking through the WestJet's strategy diamond helps illustrate its strategy. The plan looks sound, but what is required to implement such a plan? The next sections of this chapter provide an overview of this critical issue.

Diff: 3 Type: ES Skill: Application

184) What are the three main perspectives on competitive advantage and how do they differ?

Answer:

The three main perspectives on competitive advantage are the internal perspective, the external perspective, and the dynamic perspective. These three perspectives reflect contrasting but complementary points of view. The *internal perspective* on competitive advantage focuses on resources and capabilities as internal sources of uniqueness that allow firms to beat the competition. In this view, no two firms are identical because they possess resources and capabilities of different qualities. The advantage goes to the firms with superior resources and capabilities.

The *external perspective* on competitive advantage contends that variations in firms' competitive advantage and performance are primarily a function of industry attractiveness and the position of firms within the industry relative to competitors. Thus, the external perspective suggests that competitive advantage comes from a firm's positioning within the competitive business environment.

The dynamic perspective, by contrast, focuses on the relative stability of the industry in which a firm operates. In this view, competitive advantage is more likely to endure in stable markets than in unstable ones. The competitive advantage held by one firm over another tends to change very slowly in stable markets but more quickly in unstable ones. The greater the degree of change in the environment, therefore, the greater will need be the dynamism of the strategy.

Diff: 2 Type: ES Skill: Application