

*Test Bank for Strategic Management
5th Edition by Dyer, Godfrey, Jensen,
Bryce*

ISBN: 9781394161911

Strategic Management: Concepts and Cases, 5e (Dyer)
Chapter 1 What Is Business Strategy?

1) The origin of strategy comes from the role of a(n) _____. Great individuals in this role provide _____.

- A) architect of the greatest buildings in the world; a good goal
- B) architect of the greatest buildings in the world; high level orchestration and vision
- C) general in a war; a good goal
- D) general in a war; high level orchestration and vision

Answer: D

Diff: 1

Section Reference: 1: What Is Business Strategy?

Learning Objective: 1: Define business strategy, including the importance of competitive advantage, the four choices that are critical to strategy formulation, and the strategic management process.

Bloom code: Knowledge

Standard 1: AACSB || Analytic

2) _____ is defined as a company's plan to create and capture value in a marketplace.

- A) Business strategy
- B) Competitive advantage
- C) Infrastructure process
- D) Market value

Answer: A

Diff: 1

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Bloom code: Knowledge

Standard 1: AACSB || Analytic

3) _____ is the difference between a customer's willingness to pay for a product and the firm's total costs to provide the product.

- A) Advantage
- B) Cost
- C) Process
- D) Value

Answer: D

Diff: 1

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Bloom code: Knowledge

Standard 1: AACSB || Analytic

4) _____ can be best defined as when an organization generates and captures more value compared to its rivals.

- A) Client advantage
- B) Competitive advantage
- C) Employer advantage
- D) Unique value

Answer: B

Diff: 1

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Bloom code: Knowledge

Standard 1: AACSB || Analytic

5) Firms that capture more value than competitors generate _____.

- A) higher costs
- B) higher profits
- C) lower assets
- D) lower market value

Answer: B

Diff: 1

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Bloom code: Knowledge

Standard 1: AACSB || Analytic

6) Gems Corp. is a leading jewelry brand that finds it hard to make as much profit as its competitors. To overcome this, the employees of Gems Corp. decide to work harder to provide unique value to customers and increase the sales of the company. After a year, it makes more profits than its competitors. This scenario best illustrates _____.

- A) client advantage
- B) internal analysis
- C) external analysis
- D) competitive advantage

Answer: D

Diff: 3

Section Reference: 1: What Is Business Strategy?

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Bloom code: Application

Standard 1: AACSB || Analytic

7) The industry and geographic area that a company competes in, is referred to as its _____.

- A) niche
- B) business
- C) segment
- D) market

Answer: D

Diff: 1

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Bloom code: Knowledge

Standard 1: AACSB || Analytic

8) Adia and Ali are two business partners who want to set up a company that sells imported sports gear and equipment. To make sure that the company makes and retains profit, they must choose an area that is close to where their products have the highest demand. This area should allow them consistently to make profit. In this scenario, Adia and Ali are looking for a _____.

- A) market
- B) strategy
- C) cost advantage
- D) mission

Answer: A

Diff: 3

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Bloom code: Application

Standard 1: AACSB || Analytic

9) _____ can be best defined as the reason a firm wins with customers or the value proposition it offers to customers, such as a low-cost advantage or differentiation advantage.

- A) Switching costs
- B) Unique value
- C) Complementary products
- D) SWOT analysis

Answer: B

Diff: 1

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Bloom code: Knowledge

Standard 1: AACSB || Analytic

10) The employees of Flamingo Inc., a greeting card company, focus on providing unmatched customer satisfaction. Unlike its competitors, the employees of Flamingo take the time to listen to the needs of individual customers and design custom-made cards upon request. The customers of Flamingo state that the company provides a large variety of affordable products to choose from. The company has won many awards for providing complete customer satisfaction. In this scenario, which of the following does Flamingo Inc. provide to its customers?

- A) Backward integration
- B) Switching costs
- C) Complementary products
- D) Unique value

Answer: D

Diff: 3

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Bloom code: Application

Standard 1: AACSB || Analytic

11) Which of the following is NOT a way strategists can typically increase a customer's willingness to pay?

- A) Improving the features or quality of the product
- B) Increasing the investment in equipment or physical assets
- C) Providing a complementary product or service
- D) Widespread adoption of the product

Answer: B

Diff: 1

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Bloom code: Knowledge

Standard 1: AACSB || Analytic

12) Returns in excess of what an investor expects from other investments with a similar amount of risk are referred to as _____.

- A) unique value
- B) complimentary value
- C) above-average profits
- D) above-average losses

Answer: C

Diff: 1

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Bloom code: Knowledge

Standard 1: AACSB || Analytic

13) The Mykari Publishing House invested in buying high-end machinery that allowed its newspapers to be printed at twice the speed of average printing machines. The executives of the company stated that this would increase the company's profit margin by 12% as opposed to the usual 7 to 8% that it makes annually. When the finances of the company were tallied this year, it was found that the profits increased to about 19%. This scenario best illustrates _____.

- A) return of equity
- B) above-average profits
- C) complimentary value
- D) unique value

Answer: B

Diff: 3

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Bloom code: Application

Standard 1: AACSB || Analytic

14) Which of the following is true of competitive advantage?

- A) It requires a company to consistently outperform its rivals in generating value and realizing above-average profits.
- B) It should be avoided by organizations that are not trying to make a profit.
- C) It is usually achieved by firms that provide general as well as imitable products.
- D) It can be measured by using only tangible outcomes.

Answer: A

Diff: 2

Section Reference: 1: What Is Business Strategy?

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Bloom code: Comprehension

Standard 1: AACSB || Analytic

15) Which of the following statements about risks is true?

- A) Investing in a utility company that supplies power to customers, who have few alternative sources of power, can be very risky.
- B) Investors take up risks every time when they are not sure if their investments will be a gain or a loss.
- C) Investing in a stable firm is generally considered very risky even if it has a long history of profitability.
- D) Investors face less risk when they put their money into start-up companies that try to launch products based on new technologies.

Answer: B

Diff: 2

Section Reference: 1: What Is Business Strategy?

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Bloom code: Comprehension

Standard 1: AACSB || Analytic

16) Which of the following is the main purpose of a strategic management process?

- A) Ensuring that all employees have managers and supervisors to lead their teams
- B) Creating an organization that functions systematically according to its vision, mission, and goals
- C) Creating a high-level plan that can be implemented without fierce competition and undue risk
- D) Specifying a high-level plan that an organization will employ to create and capture value

Answer: D

Diff: 2

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Bloom code: Comprehension

Standard 1: AACSB || Analytic

17) The management of Neptune Inc. creates a definite plan of action that will surely create profits for the company. It allocates and sectionalizes its machinery and personnel. The main office is moved to a prime location that helps attract customers and facilitates competitive development. This plan of action helps Neptune Inc. retain its competitive advantage and has also grow as a company. Which of the following terms does this scenario best illustrate?

- A) Strategic tools
- B) Strategic management process
- C) Functional strategy
- D) Business unit strategy

Answer: B

Diff: 3

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Bloom code: Application

Standard 1: AACSB || Analytic

18) Which of the following statements is true of external analysis?

- A) It focuses on the weaknesses a company must overcome and the threats that a company might come across.
- B) It studies the factors that influence an organization's appeal and environment.
- C) It focuses on the factors that influence employees of an organization to leave.
- D) It analyzes a firm's resources and capabilities to assess how effectively it is able to deliver unique value.

Answer: B

Diff: 2

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Bloom code: Comprehension

Standard 1: AACSB || Analytic

19) The Board of Directors of Miranay Corp. assesses and evaluates the firm's industry structure. To track the factors that could affect Miranay's performance, it tries to scan the industry's positive and negative trends. The Board of Directors of Miranay Corp. is involved in a(n)

- _____.
- A) financial analysis
- B) internal analysis
- C) external analysis
- D) profit analysis

Answer: C

Diff: 3

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Bloom code: Application

Standard 1: AACSB || Analytic

20) Which of the following statements best describes the term internal analysis?

- A) It studies the infrastructure of a company to gauge the number of employees it can recruit.
- B) It examines a company's resources and capabilities to configure a firm's ability to deliver unique value.
- C) It examines the emotions of a firm's employees to identify their weaknesses.
- D) It examines the efficiency of employees through the help of standardized tests and group discussions.

Answer: B

Diff: 2

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Bloom code: Comprehension

Standard 1: AACSB || Analytic

21) Ravi, a supervisor at Autumn Inc., notices that the company has been successful in outperforming its competitors in the industry and declares that the company has achieved competitive advantage. Yolanda, a manager at Autumn Inc., argues that this is not true. Which of the following strengthens Ravi's claim?

- A) Autumn Inc. decides to outscore a superior company in the next quarter.
- B) Autumn Inc. has been consistently outperforming its rivals in generating above-average profits.
- C) Autumn Inc. has reduced the amount it pays to suppliers.
- D) Autumn Inc.'s strategy can be pursued by competitors as it is not too costly.

Answer: B

Diff: 3

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Bloom code: Analysis

Standard 1: AACSB || Reflective Thinking

22) The board of directors of White Corp. meets to analyze the company's competencies and scope for improvement. It also examines whether White Corp. has been able to meet its potential customers' requirements. The board of directors of White Corp. is involved in a(n) _____.

- A) external analysis
- B) financial analysis
- C) profit analysis
- D) internal analysis

Answer: D

Diff: 3

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Bloom code: Application

Standard 1: AACSB || Analytic

23) If a company is considering what industry, customer segment, or location is most attractive as a business area, this is a _____ strategic choice in strategic management.

- A) Markets to Pursue
- B) Resources and Capabilities to Develop
- C) Sustaining Advantage
- D) Unique Value to Offer

Answer: A

Diff: 1

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Bloom code: Knowledge

Standard 1: AACSB || Analytic

24) If a company is debating a cost advantage versus a differentiation strategy as a way to outperform competitors, this is a _____ strategic choice in strategic management.

- A) Markets to Pursue
- B) Resources and Capabilities to Develop
- C) Sustaining Advantage
- D) Unique Value to Offer

Answer: D

Diff: 1

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Bloom code: Knowledge

Standard 1: AACSB || Analytic

25) If a company is considering what assets the firm should accumulate over time or the processes it should develop to achieve specific goals, this is a _____ strategic choice in strategic management.

- A) Markets to Pursue
- B) Resources and Capabilities to Develop
- C) Sustaining Advantage
- D) Unique Value to Offer

Answer: B

Diff: 1

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Bloom code: Knowledge

Standard 1: AACSB || Analytic

26) If a company is creating barriers to imitation as a way to prevent other companies from offering the same value, this is a _____ strategic choice in strategic management.

- A) Markets to Pursue
- B) Resources and Capabilities to Develop
- C) Sustaining Advantage
- D) Unique Value to Offer

Answer: C

Diff: 1

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Bloom code: Knowledge

Standard 1: AACSB || Analytic

27) Sweetmeats Inc., a deli, produces its own grains, such as corn, wheat, rice, and oats. The employees create different types of breads without having to buy the grains from other sources. This has helped them sell their bread items to customers at much lower prices than other neighboring delis. This scenario best illustrates a(n) _____.

- A) complementary service
- B) emergent strategy
- C) international process
- D) cost advantage

Answer: D

Diff: 3

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Bloom code: Application

Standard 1: AACSB || Analytic

28) Fashion Mart Corp., a clothing company, offers the best quality material made using the finest threads and advanced textile machinery. It offers an extended product guarantee to its customers, something that its competitors have found difficult to achieve. This guarantee claims that the clothes that Fashion Mart creates will not wear out even after 200 washes. This guarantee has helped Fashion Mart to retain its loyal customer base and to frequently get new customers. This scenario best illustrates _____.

- A) forward integration
- B) backward integration
- C) a differentiation strategy
- D) a cost advantage

Answer: C

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Bloom code: Application

Standard 1: AACSB || Analytic

29) The owners of Carpo Inc., a watch company, also own a steel company and a leather goods manufacturing company. This relieves them from expenses that they would have to bear, if they had to rely on outside sources for the raw materials needed to make their watches. This enables the company to produce watches at a much lesser cost than other companies in the industry. This scenario best illustrates a _____.

- A) complementary service
- B) emergent strategy
- C) unique value
- D) cost advantage

Answer: D

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