***Essentials of Strategic Management, 6e* (Gamble)**

**Chapter 1 Strategy, Business Models, and Competitive Advantage**

1) Managers in all types of businesses must develop a clear answer for which of the following questions?

A) Where are we now?

B) Where do we want to go from here?

C) What is the set of actions that we need to take to outperform the company's competitors and achieve superior profitability?

D) When will we know we are there?

E) What moves and approaches do we need to gain an advantage in the marketplace?

2) A company's strategy consists of

A) actions to develop a more appealing business model than rivals.

B) plans involving alignment of organizational activities and strategic objectives.

C) offensive and defensive moves to generate revenues and increase profit margins.

D) competitive moves and approaches that managers have developed to grow the business, attract and please customers, conduct operations, and achieve targeted objectives.

E) its strategic vision, its strategic objectives, and its strategic intent.

3) The competitive moves and business approaches a company's management is using to grow the business, compete successfully, attract and please customers, conduct operations, respond to changing economic and market conditions, and achieve organizational objectives is referred to as its

A) strategy.

B) moves to imitate key rivals.

C) strategic mission.

D) business model.

E) strategic vision.

4) The essence of strategy is

A) developing lasting success that can support growth and secure the company's future over the long term.

B) recreating a business model with regularity.

C) matching rival businesses' products and quality dimensions in the marketplace.

D) building profits for short-term success.

E) realigning the market to provoke change in rival companies.

5) A company's strategy has a chance of succeeding only when it is predicated on

A) building revenues, controlling costs, and generating an attractive profit.

B) actions, business approaches, and competitive moves aimed at appealing to buyers and setting the company apart from rivals.

C) management's concepts of "where we have been," "where we are headed," and "where we need to go."

D) the approval of a business model by a company's board of directors that spells out how to outcompete its rivals and make the company profitable.

E) educated choices that management has made regarding which financial and operating plans to pursue.

6) Which of the following is *not* something a company's strategy is concerned with?

A) Management's choices about how to attract and please customers

B) Management's choices about how quickly and closely to copy the strategies being used by successful rival companies

C) Management's choices about how to grow the business

D) Management's choices about how to outcompete rivals

E) Management's action plan for conducting operations and improving the company's strategic and financial performance

7) Which of the following is *not* an element of a company's business strategy?

A) Actions to respond to changing market conditions or other external factors

B) Actions to strengthen competitiveness via strategic alliances and collaborative partnerships

C) Actions to strengthen internal capabilities and competitively valuable resources

D) Actions to manage the functional areas of the business

E) Actions to revise the company's financial and strategic performance targets

8) Which of the following is an issue *not* likely to be addressed by a company's business strategy?

A) Actions to respond to changing economic and market conditions

B) Actions to supplement the company's resources and capabilities through alliances and joint ventures

C) Reactions to offensive moves by rival sellers

D) Actions and approaches used in managing the functional areas of the business

E) Actions and approaches to mimic rivals' moves in the marketplace

9) The most important aspect(s) of a company's business strategy

A) are the actions and moves in the marketplace that managers take to gain a sustainable competitive advantage.

B) is figuring out how to maximize profits and shareholder value.

C) concerns how to improve the efficiency of its business model.

D) deals with how management plans to maximize profits while, at the same time, operating in a socially responsible manner.

E) is figuring out how to become the industry's low-cost provider.

10) A creative, distinctive strategy that delivers a sustainable, competitive advantage is important because

A) without a proven strategy, a company is likely to fall into bankruptcy.

B) without a competitive advantage, a company cannot have a profitable business model.

C) a strategy that yields a competitive advantage over rivals is a company's most reliable means of achieving above-average profitability and financial performance.

D) a competitive advantage is what enables a company to achieve its strategic objectives.

E) how a company goes about trying to please customers and outcompete rivals is what enables senior managers to choose an appropriate strategic vision for the company.

11) A company's business model

A) specifies the goals of above-average profitability and outstanding financial performance.

B) is unrelated to its customer value proposition and profit formula.

C) has nothing to do with whether it can execute its customer value proposition profitably.

D) is management's blueprint for delivering a valuable product or service to customers in a manner that will yield an attractive profit.

E) specifies exactly how it intends to outcompete its rivals to achieve its strategic vision.

12) A company's business model consists of its

A) mission statement and its SWOT analysis.

B) customer value proposition and its vision statement.

C) operating and financial plans.

D) profit formula and strategic vision.

E) profit formula and customer value proposition.

13) A company achieves sustainable competitive advantage when

A) it has a profitable business model.

B) a sufficiently large number of buyers have a lasting preference for its products or services as compared to the offerings of competitors.

C) it is able to maximize shareholder wealth.

D) it is consistently able to achieve both its strategic and financial objectives.

E) its strategy and its business model are well matched and in sync.

14) A creative, distinctive strategy that sets a company apart from its rivals and that gives it a sustainable competitive advantage

A) is a reliable indicator that the company has a profitable business model.

B) is a company's most reliable ticket to above-average profitability.

C) signals that the company has a bold, ambitious strategic intent that places the achievement of strategic objectives ahead of the achievement of financial objectives.

D) is the best indicator that the company's strategy and business model are well matched and properly synchronized.

E) allows a company's managers to ignore competitors' responses to any moves that the company might make.

15) Which of the following is *not* included in proven approaches to winning a sustainable competitive advantage?

A) Developing a low-cost-based advantage

B) Creating a broad differentiation-based advantage

C) Focusing on a narrow market niche within an industry

D) Developing a best-cost provider strategy

E) Crafting a broad-cost provider strategy

16) Which of the following is a *not* a frequently used strategic approach to setting a company apart from rivals and achieving a sustainable competitive advantage?

A) Striving to be the industry's low-cost provider, thereby aiming for a cost-based competitive advantage

B) Outcompeting rivals on the basis of such differentiating features as higher quality, wider product selection, added performance, better service, more attractive styling, or technological superiority

C) Pursuing a best-cost strategy, giving customers more value for the money by satisfying buyers' expectations on key quality/features/performance/service attributes, while beating their price expectations

D) Focusing on a narrow market niche and winning a competitive edge by doing a better job than rivals of serving the special needs and tastes of buyers comprising the niche

E) Copying rivals on their competitive moves

17) Which of the following is *not* a frequently used strategic approach to setting a company apart from rivals and achieving a sustainable competitive advantage?

A) Aiming for a cost-based competitive advantage

B) Outcompeting rivals on the basis of such differentiating features as higher quality, wider product selection, added performance, better service, or more attractive styling

C) Simply trying to mimic the successful strategies of rivals

D) Focusing on a narrow market niche and winning a competitive edge by doing a better job than rivals of satisfying the needs and tastes of buyers comprising the niche

E) Developing expertise and resources that give the company competitive capabilities that rivals cannot easily imitate or trump with capabilities of their own

18) Allset Motors, a manufacturer of self-driving delivery trucks, is working on developing its next-generation vehicles. It has decided on a strategy of focusing on a narrow buyer segment and outcompeting its rivals by offering buyers customized vehicles at a lower cost than its rivals. What basic strategic approach has Allset Motors decided upon?

A) True-cost

B) Low-cost

C) Focused low-cost

D) Best-cost

E) Broad differentiation

19) Amy's Drive-Thru, a fast food facility near a college campus, offers healthy, sustainably grown vegetarian and vegan fast-food at higher prices than its competitors in the market and has a drive-through and indoor-seated, casual-dining operation. What strategy is Amy's Drive-Thru using to gain a competitive advantage?

A) A best-cost provider strategy

B) A low-cost provider strategy

C) A focused low-cost provider strategy

D) A broad differentiation strategy

E) A focused differentiation strategy

20) Rainbow Resorts Inc. has multiple tropical resorts in various locations. In a crowded market that caters to all kinds of consumers, this resort caters mainly to LGBTQ customers with a guaranteed hassle-free holiday experience at a premium price. What strategy is Rainbow using to gain competitive advantage?

A) A low-cost provider strategy

B) A broad differentiation strategy

C) A focused low-cost strategy

D) A focused differentiation strategy

E) A best-cost provider strategy

21) Different companies across different industries adopt any one of the five generic strategies to gain competitive advantage. Which of the following businesses is *most* likely to use a low-cost provider strategy?

A) A fashion clothing line uses sought-after designers and natural fabrics

B) A mortgage company specializes in lending money for second homes

C) An online retailer delivers organic groceries overnight

D) A baby products retailer sells unassembled baby furniture produced in China

E) A dairy products manufacturer uses exotic substitutes to produce lactose-free dairy products

22) A company achieves a sustainable competitive advantage when

A) its distinctive product offering is trumped by rivals' products.

B) it pursues a best-cost provider strategy.

C) competitors erode or imitate its efforts to attain a competitive advantage.

D) an attractively large number of buyers develop a durable preference for its rivals' offerings of products or services.

E) it develops capabilities proven difficult for competitors to imitate or best.

23) Which of the following is *not* one of the basic reasons that a company's strategy evolves over time?

A) An ongoing need to abandon those strategy features that are no longer working well

B) The proactive efforts of company managers to improve the company's financial performance and secure a competitive advantage

C) The need on the part of company managers to make no adjustments to the company's business model

D) The need to respond to the actions and competitive moves of rival firms

E) The need to keep strategy in step with changing industry and competitive conditions

24) A company's strategy is a "work in progress" and evolves over time because of the

A) ongoing need of company managers to react and respond to changing industry and competitive conditions.

B) ongoing need to imitate the new strategic moves of the industry leaders.

C) need to make regular adjustments in the company's strategic vision.

D) importance of developing a fresh strategic plan every year.

E) frequent need to modify key elements of the company's business model.

25) Changing circumstances and ongoing managerial efforts to improve the strategy

A) account for why a company's strategy evolves over time.

B) explain why a company's strategic vision undergoes almost constant change.

C) make it very difficult for a company to have concrete strategic objectives.

D) make it very hard to know what a company's strategy really is.

E) are only necessary when rivals are gaining market share.

26) It is normal for a company's strategy to end up being

A) left unchanged from management's original planned set of actions and business approaches since making on-the-spot changes is too risky.

B) a combination of defensive moves to protect the company's market share and offensive initiatives to set the company's product offering apart from its rivals.

C) like the strategies of other industry members since all companies are confronting much the same market conditions and competitive pressures.

D) a blend of deliberate planned actions to improve the company's competitiveness and financial performance and as-needed unplanned reactions to unanticipated developments and fresh market conditions.

E) a mirror image of its business model, so as to avoid impairing company profitability.

27) Crafting a strategy involves

A) blending deliberate, planned initiatives with emergent, unplanned reactive responses to changing circumstances, while abandoning planned strategy elements that have failed in the marketplace.

B) developing a five-year strategic plan and then fine-tuning it during the remainder of the plan period.

C) trying to imitate as much of the market leader's strategy as possible so as not to end up at a competitive disadvantage.

D) doing everything possible (in the way of price, quality, service, warranties, advertising, and so on) to make sure the company's product and/or service is very clearly differentiated from the product and or service offerings of its rivals.

E) All of these accurately characterize the managerial process of crafting a company's strategy.

28) A company is unlikely to develop an emergent strategy due to

A) strategic moves by rival firms.

B) unexpected shifts in customer preferences.

C) fast-changing technological developments.

D) new market opportunities.

E) rivals' value chain deficiencies.

29) Which of the following statements about a company's realized strategy is true?

A) A company's realized strategy is mostly hidden to outside view and is deliberately kept under wraps by top-level managers.

B) A company's realized strategy is typically planned well in advance and usually deviates little from the planned set of actions.

C) A company's realized strategy generally changes very little over time unless a newly appointed CEO decides to take the company in a new direction with a new strategy.

D) A company's realized strategy is typically a blend of deliberate and/or planned initiatives and emergent and/or unplanned reactive strategy elements.

E) A company's realized strategy is developed mostly on the fly because of the constant efforts of managers to keep rival companies at a disadvantage.

30) A company's realized business strategy is made up of

A) deliberate and/or planned initiatives that have proven themselves in the marketplace and newly launched initiatives aimed at further boosting performance.

B) emergent and/or reactive adjustments to unanticipated strategic moves by rivals, unexpected changes in customer preferences, and new market opportunities.

C) tactical plans to imitate the key elements of the strategies employed by rivals.

D) both deliberate and/or planned initiatives that have proven themselves in the marketplace and newly launched initiatives aimed at further boosting performance and emergent and/or reactive adjustments to unanticipated strategic moves by rivals, unexpected changes in customer preferences, and new market opportunities.

E) choices among low-cost provider and differentiation strategies.

31) Which of the following is *not* typically a trigger to an evolving strategy?

A) The need to keep strategy in step with changing circumstances, market conditions, and changing customer needs and expectations

B) The proactive efforts of company managers to fine-tune and improve one or more pieces of the strategy

C) The need to abandon some strategy features that are no longer working well

D) The need to respond to the newly initiated actions and competitive moves of rival firms

E) The need to respond to short-term swings in the stock market

32) To which of the following firms is the term "repeatedly evolving strategy" *most* applicable?

A) A government agency that makes plans for a set period of time and implements them phase-by-phase during their tenure

B) A mobile company, established in a saturated market, that aims at a quarterly release of new products

C) A new cosmetics manufacturer in a market that replicates the products of a competitor at a moderate quality and lower price

D) A nationalized bank that lends at a lower interest rate but with a zero processing fee in a market crowded with privatized banks running at high cost

E) A firearms regulatory agency, set up by the government, that publishes industry standards for safety, reliability, and quality of arms and ammunition

33) Managers of every company should be willing and ready to modify their strategy because

A) market conditions and circumstances are changing over time or the current strategy is clearly failing.

B) the task of crafting strategy is a one-time event.

C) the strategic vision necessitates periodic updating.

D) frequent changes in strategy make it very more difficult for rivals to imitate.

E) all strategies are reactive.

34) Which of the following firms uses an emergent strategy?

A) A local hardware store offers a ten-percent discount for seniors on the first Wednesday of every month.

B) An online book reseller diversifies into custom book publishing.

C) An oil-change franchisor continues geographical expansion despite a recession.

D) A health food manufacturer integrates forward into drive-through health food restaurants.

E) A microbrewer invests in building community water wells during a drought.

35) Consider the following three companies and their strategies:

Company A is an established database management company that acquires a well-reputed but small publishing house to enter the booming publishing industry.

Company B, a sports management house, declared bankruptcy during a recent recession but now has created a television network that airs regional sports events.

Company C, a package delivery business, is a startup based on delivery efficiency models created by a few students and delivers almost all kinds of packages.

Which of the following describes the use of strategies by these companies accurately?

A) Company B employs an emergent strategy, whereas companies A and C employ deliberate strategies.

B) All three companies employ deliberate strategies.

C) All three companies employ emergent strategies.

D) Company C employs a deliberate strategy, whereas companies A and B employ emergent strategy.

E) Companies A and C employ emergent strategies, whereas Company B employs a deliberate strategy.

36) A luxury hot-tub manufacturer offered monogrammed bathrobes as a gimmick when their hot tubs did not sell. Their monogrammed bathrobes became famous among some women and led to a line of exclusive bath products for women. The bathtub manufacturer established shops in various regional locations and hired celebrities to market their products to enhance sales. Today, its products are sold through retail outlets and online sites throughout the world. Which of the following is accurate?

A) Offering scented bubble-bath foams and massage coupons was an emergent strategy.

B) Creating a subbrand that offered exclusive bath products for women was an emergent strategy.

C) Establishing shops in regional locations was an emergent strategy.

D) Roping in celebrities to market their products was an emergent strategy.

E) Creating a worldwide presence through retail outlets and online sites was an emergent strategy.

37) An industrial air-conditioner manufacturing giant decides to outsource its operations to a new geographical location with cheaper labor amidst ongoing labor strikes in a few of its existing locations (due to proposed job cuts and relocation of the plant offshore). This draws criticism in its home market and affects its current market position and productivity. Which of the following would be an appropriate reactive (emergent) strategy while moving forward?

A) Hiring and training new talent to begin operations in the emerging market

B) Acquiring a local computer chip marketing and distribution specialist firm in the new location

C) Canceling the idea of outsourcing and retaining the existing workforce to run operations

D) Shifting the existing workforce to the new geographical location and paying them according to new standards

E) Canceling the job cuts till the market situation and entry operations stabilize

38) A winning strategy is one that

A) builds strategic fit, is socially responsible, and maximizes shareholder wealth.

B) is highly profitable and boosts the company's market share.

C) results in a company becoming the dominant industry leader.

D) fits the company's internal and external situation, builds a sustainable competitive advantage, and improves the company's performance.

E) can pass the ethical standards test, the strategic intent test, and the profitability test.

39) A well-conceived strategy builds a company's

A) profitability and financial strength.

B) competitive strength and market standing.

C) distinctive competencies and sustainability.

D) competitive edge.

E) ethical worthiness and corporate social responsibility.

40) In evaluating proposed or existing strategies, managers should

A) initiate new initiatives even though they do not seem to match the company's internal and external situation.

B) scrutinize the company's existing strategies on a regular basis to ensure they offer a good strategic fit, create a competitive advantage, and result in above-average performance.

C) evaluate the firm's business model at least every three years.

D) ensure core capabilities are incorporated for establishing a competitive advantage.

E) align existing strategies with new strategies to emphasize incremental gains.

41) Which of the following questions ought to be used to distinguish a winning strategy from a so-so or flawed strategy?

A) Does the strategy contain a sufficient number of emergent and/or reactive elements?

B) Is the company putting too little emphasis on growth and profitability and too much emphasis on behaving in an ethical and socially responsible manner?

C) Is the strategy built on a company's weakness, or does it require resources that are deficient in the company?

D) Is the strategy well matched to the company's situation, helping the company achieve a sustainable competitive advantage and resulting in better company performance?

E) Does the strategy strike a good balance between maximizing shareholder wealth and maximizing customer satisfaction?

42) A pharmaceutical giant acquires a manufacturer of rare specialty drugs to improve its falling share prices and invests all its wealth into the deal. Due to a deficit, it agrees to do a joint venture for the acquisition and involves a major automobile giant to fund the deal. After a rocky start, the companies now have a strong market position and generate good profits. Which of the following regarding the company's strategy is true?

A) It fails the performance test.

B) It fails the competitive advantage and the fit tests.

C) It is a winning strategy.

D) It fails in all three tests.

E) It fails the fit test, but passes the competitive advantage and performance tests.

43) In evaluating proposed or existing strategies, managers should

A) evaluate the firm's business model at least every three years.

B) align existing strategies with new strategies to emphasize incremental gains.

C) scrutinize the company's existing strategies on a regular basis to ensure they offer a good strategic fit, create a competitive advantage, and contribute to an above-average performance.

D) plan and implement new initiatives regardless of whether or not these match the company's internal and external situation.

E) ensure core capabilities are incorporated for establishing a competitive advantage.

44) Briefly define each of the following terms:

a. strategy

b. business model

c. sustainable competitive advantage

45) List five elements of an enterprise's business strategy.

46) Explain the difference between a company's business model and a company's strategy.

47) What is the nitty-gritty issue surrounding a company's business model?

48) What is the connection between a company's strategy and its quest for sustainable competitive advantage?

49) Should a company's strategy be tightly connected to its quest for competitive advantage? Why or why not? What difference does it makes whether a company has a sustainable competitive advantage or not?

50) Why are capabilities critical to a company's quest for a sustainable competitive advantage?

51) Why does a company's strategy tend to evolve over time?

52) Why is a company's realized strategy a blend of proactive and adaptive approaches?

53) Provide at least two examples of a company's competitively valuable capabilities.

54) Define and explain the importance of the two elements of a company's business model.

55) What are the three criteria that determine whether or not a company has a winning strategy?

56) What are the three questions that managers can use to distinguish a winning strategy from a so-so or flawed strategy? Briefly explain why each question is important.

57) Why are capabilities needed to build a sustainable competitive advantage so important to a winning business strategy? Cite one of the company examples in the chapter to illustrate your answer.

58) Explain why some companies get to the top of industry rankings and stay there, while others do not.

59) Explain what affects a company's ultimate success or failure in the marketplace.