1. Which of the following is NOT an activity used in the external environmental analysis process?  
   a. Scanning  
   b. Training  
   c. Monitoring  
   d. Assessing  

2. A general environmental analysis can be expected to produce all of the following EXCEPT:  
   a. objective answers.  
   b. recognition of environmental changes.  
   c. identification of organizational opportunities.  
   d. identification of organizational threats.  

3. The economic environment refers to:  
   a. the nature and direction of the economy in which a firm competes.  
   b. the economic outlook of the world provided by the World Bank.  
   c. an analysis of how the environmental movement and world economy interact.  
   d. an analysis of how new environmental regulations will affect our economy.  

4. The sociocultural segment of an environmental analysis is concerned with:  
   a. the economic condition of society.  
   b. social attitudes and cultural values within a society.  
   c. the political condition of the societies in which the firm does business.  
   d. the technological condition of the society.  

5. The technological segment of environmental analysis includes:  
   a. institutions and activities involved with creating new knowledge and translating that knowledge into new outputs.  
   b. the determination of when machinery will need to be replaced in a given firm.  
   c. the need for new technology in order for a firm to gain a competitive advantage.  
   d. places where a firm’s technology will allow that firm to dominate a given market.
6. Understanding how new knowledge can develop new products, processes, or materials is a result of analyzing the ________ segment of the general environment.
   a. economic
   b. political/legal
   c. technological
   d. global

7. Compared to the general environment, the industry environment has:
   a. a less direct effect on value creation and a firm’s returns.
   b. a more direct effect on value creation and a firm’s returns.
   c. the subtle effect of creating a barrier to the hiring of new employees.
   d. no effect on value creation and a firm’s returns.

8. Economies of scale refer to the fact that as the:
   a. quantity of product produced in a given time period increases, the cost of manufacturing each unit increases.
   b. quantity of product produced in a given time period increases, the cost of manufacturing each unit remains constant.
   c. quantity of product produced in a given time period increases, the cost of manufacturing each unit decreases.
   d. physical size of the product gets larger, the costs of production become lower.

9. The threat of new entrants is increased if:
   a. access to distribution channels is hard to gain.
   b. economies of scale in the industry are high.
   c. product differentiation in the industry is low.
   d. capital requirements in the industry are high.

10. Product differentiation refers to the:
    a. ability of the buyers of a product to negotiate a lower price.
    b. response of incumbent firms to new entrants.
    c. belief by customers that a product is unique.
    d. fact that as more of a product is produced the cheaper it becomes per unit.

11. Which of the following conditions does NOT cause a supplier group to be powerful?
    a. When satisfactory substitute products are available to industry firms
    b. When the effectiveness of suppliers’ products has created high switching costs for industry firms
    c. Industry firms are not significant customers for the supplier group
    d. Suppliers are a credible threat to integrate forward into the buyer’s industry

12. Suppliers are powerful when:
    a. satisfactory substitutes are available.
    b. they sell a commodity product.
    c. they have credible threat of forward integration.
    d. they are in a highly fragmented industry.
13. Buyers are powerful when:
   a. there is not a threat of backward integration.
   b. they are not a significant purchaser of the supplier’s output.
   c. there are no switching costs.
   d. the buyers’ industry is fragmented.

14. Upper limits on the prices a firm can charge are impacted by:
   a. expected retaliation from competitors.
   b. substitute products.
   c. high switching costs.
   d. low switching costs.

15. The threat from substitutes is high when:
   a. switching costs are high.
   b. the substitute product’s price is lower than the industry product’s price.
   c. the quality of the substitute product is lower than the quality of the industry’s product.
   d. the substitute product stimulates new process innovations within the industry.

16. The forces that create high rivalry within an industry include all of the following EXCEPT:
   a. numerous or equally balanced competitors.
   b. high fixed costs.
   c. fast industry growth.
   d. high storage costs.

17. Internal analysis enables a firm to determine:
   a. what the firm can do.
   b. what the firm should do.
   c. what the firm should have done.
   d. when the firm should act.

18. The proper matching of what a firm can do with what it might do allows the:
   a. development of a top management team.
   b. development of a successful low-cost strategy.
   c. development of strategic intent, strategic mission, and the formulation of strategies.
   d. formation of a strategic group.

19. The condition of uncertainty in managerial decision-making occurs when:
   a. it is difficult to determine which core competency to nurture.
   b. a wide range of internal issues must be examined.
   c. there are changes in technologies, economic and political trends, and societal values.
   d. managers are unable to determine the best course of action to take.
20. Competitive advantage typically comes from:
   a. individual resources.
   b. one very outstanding resource.
   c. several outstanding resources acting independently.
   d. the unique bundling of several resources.

21. Tangible resources include:
   a. assets that are people dependent such as know-how.
   b. assets that can be seen and quantified.
   c. organizational culture.
   d. a firm’s reputation.

22. Intangible assets include:
   a. the firm’s reputation for its goods and services.
   b. a firm’s borrowing capacity.
   c. depreciated capital assets.
   d. manufacturing facilities.

23. Global business leaders increasingly believe ________ may be the root of all competitive advantages.
   a. knowledge
   b. workforce skills
   c. capital resources
   d. business relationships

24. Resources and capabilities are core competencies only when their use:
   a. leads to a competitive advantage for the firm.
   b. permits diffusion of threats in the external environment.
   c. provides opportunities to defeat competitors.
   d. encourages quick responses to changes in the global economy.

25. __________ is an example of a capability that is based in the functional area of distribution.
   a. effective use of logistics management techniques
   b. effective control of inventories through point-of-purchase data collection
   c. effective organizational structure
   d. product and design quality

26. Organizational culture is:
   a. usually quick to form.
   b. a potential source of competitive advantage.
   c. so difficult to analyze that most firms should choose to ignore it.
   d. rarely unique to a single firm.
27. Value chain analysis is a tool used to:
   a. analyze a firm’s external environment.
   b. concentrate on a firm’s internal environment without exercising a concern about the actions of those companies with which the firm competes.
   c. understand the parts of the firm’s organization that create value and those that do not.
   d. determine how long an opportunity in a firm’s external environment can be expected to last.

28. Which of the following is NOT true about value chain analysis?
   a. The value chain is a template the firm can use to understand its cost position.
   b. This analysis helps to identify the single most important means that will facilitate strategy implementation.
   c. Both primary and support activities should be analyzed.
   d. It can be used to guide the implementation of business-level strategies.

29. Primary activities are:
   a. involved with the support of the organization.
   b. involved in a product’s physical creation, its distribution, and its service after the sale.
   c. the most important activities in the firm.
   d. the activities that the top management team most values.

30. Outsourcing is the:
   a. selling of a value-creating activity to other firms in an industry.
   b. selling of a value-creating activity to other firms, whether or not they are in your industry.
   c. purchase of a value-creating activity from an external supplier.
   d. use of computers to obtain data from the Internet.

31. A major reason outsourcing is being used is that:
   a. it allows top managers to focus on operational details.
   b. few firms possess superior capability in all primary and support activities.
   c. it permits unlimited access to capital resources.
   d. competitors do not have access to the same external sources.

32. Typically, the following activities should be outsourced:
   a. in general, activities requiring low skilled labor should be outsourced to countries with low labor costs.
   b. in general, activities that cannot be codified should be outsourced to companies skilled in administration.
   c. in general, activities requiring strong organizational culture should be outsourced to consultants skilled in relationship-building.
   d. in general, support activities should be outsourced.
33. An integrated and coordinated set of commitments and actions designed to exploit core competencies and gain a competitive advantage is a definition of:
   a. strategy.
   b. core competencies.
   c. sustained competitive advantage.
   d. strategic mission.

34. A __________ reflects where and how the firm has an advantage over its rivals
   a. business-level strategy
   b. strategy
   c. differentiated-cost strategy
   d. core competence profile

35. Among college students, Subway is targeting a more narrow market segment than the segment on which McDonald’s focuses. Subway is focusing on students interested in healthy fast food. This is a result of studying all EXCEPT the following:
   a. demographic factors
   b. psychological factors
   c. consumption-pattern factors
   d. geographic factors

36. Business-level strategies are concerned specifically with:
   a. creating differences between the firm’s position and its rivals.
   b. the industries in which the firm will compete.
   c. how functional areas will be organized within the firm.
   d. how a business with multiple physical locations will operate one of those locations.

37. The four generic business-level strategies a firm can implement include all of the following EXCEPT:
   a. focused cost leadership.
   b. cost leadership.
   c. differentiation.
   d. leadership.

38. A company using a narrow scope in its business strategy is:
   a. following a cost leadership business strategy.
   b. focusing on a broad array of geographic markets.
   c. limiting the group of product segments served.
   d. likely to earn only average returns.

39. The effectiveness of any of the generic business-level strategies is contingent upon:
   a. customer needs and competitors’ strategies.
   b. the firm’s resources, capabilities, and core competencies and the opportunities/threats of the environment.
   c. product line scope and national economic conditions.
   d. management’s leadership style and the wealth of the firm’s target market.
40. A simple structure can be described by all of the following EXCEPT:
   a. informal relationships.
   b. limited task specialization,
   c. active involvement by a chief executive officer.
   d. few rules.

41. The functional structure allows for effective:
   a. control of strategic issues by functional managers.
   b. control of potentially time-consuming activities by the chief executive.
   c. control of any myopic vision.
   d. development of professional expertise in functional areas.

42. A cost leadership strategy can be summarized as:
   a. providing products with features acceptable to customers at the lowest competitive price.
   b. providing products with features that are very inexpensive so that the price of the product is very low.
   c. providing products that are so unique that customers are willing to pay a premium.
   d. focusing on a few unique features for which customers are willing to pay a premium.

43. The products or services that differentiate often have qualities that are:
   a. perceived by the customer to add value.
   b. valued by the typical industry customer.
   c. appeal to the customer regardless of price.
   d. seen as classic attributes rather than passing fads.

44. When a product’s unique attributes provide value to customers, the firm is implementing:
   a. a differentiation strategy.
   b. a cost leadership strategy.
   c. an integrated cost leadership/differentiation strategy.
   d. a single-product strategy.

45. The differentiation strategy calls for a firm to provide products that:
   a. are at the lowest cost possible.
   b. have acceptable features.
   c. incorporate features for which the customer will pay a premium.
   d. solve the problem of being “stuck in the middle.”

46. Firms pursuing a differentiation strategy want to be differentiated from competitors:
   a. on only one central dimension.
   b. only to the point where the features of their products are adequate.
   c. along as many dimensions as possible.
   d. on only two or three central dimensions.
47. A firm successfully implementing a differentiation strategy would expect:
   a. customers to be sensitive to price increases.
   b. to charge premium prices.
   c. customers to perceive the product as standard.
   d. to automatically have high levels of power over suppliers.

48. When implementing a focus strategy, the firm seeks:
   a. to be the lowest cost producer in an industry.
   b. to offer products with unique features for which customers will pay a premium.
   c. to avoid being stuck in the middle.
   d. to serve the specialized needs of a market segment.

49. A focus strategy seeks to exploit core competencies:
   a. on an industry-wide basis.
   b. by serving the needs of a certain industry segment.
   c. by servicing one particular corporation within a given industry.
   d. by servicing several professions.

50. Focus strategies are:
   a. associated only with cost leadership.
   b. associated only with differentiation.
   c. associated with both cost leadership and differentiation strategies.
   d. typically avoided due to their high risk.