Test Bank

# Chapter 2: Strategy, competitive forces and positioning

Below are a number of multiple choice questions relevant to this chapter. There are two to three variations on the same questions. Each question has four options; the correct answer is written in the final column. Some questions are very simple, while others are much more difficult; this should be taken into account when setting quizzes or exams.

**Example of possible instruction to students:**

For each of the following questions, read each question carefully and then choose the answer you believe is *most* correct:

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| Question and options | # | Ans. |
| What is part of a firm’s business environment?a. market environmentb. legal frameworksc. institutional structuresd. all of these | 1 | d |
| Strategists refer to \_\_\_\_\_\_ as factors shaping \_\_\_\_\_\_ for the organization’s goods and services in the environments in which the organization operates.a. properties/demandb. demand drivers/demandc. technology drivers/goalsd. properties/objectives | 2 | b |
| \_\_\_\_\_\_ are relationships with other entities, such as competing firms or government.a. Competitive relationshipsb. Horizontal relationshipsc. Thorough relationshipsd. Vertical relationships | 3 | b |
| \_\_\_\_\_\_ are about the management of suppliers and buyers.a. Vertical relationshipsb. Horizontal relationshipsc. Governmental relationshipsd. Institutional relationships | 4 | a |
| \_\_\_\_\_\_ takes an external perspective and is concerned with the industry within which firms operate and behave as producers, sellers and buyers of goods and services.a. Resource-based viewb. Value chainc. Industrial organizationd. Macro economics | 5 | c |
| According to industrial organization theory, which factor does NOT influence market structure?a. supply conditionsb. demand for a productc. manufacturing base of the leading firmd. the degree of differentiation of products | 6 | c |
| \_\_\_\_\_\_ refers to the characteristics of the product and is the way through which firms improve the quality of their offerings over time (usually by means of innovation).a. Product differentiationb. Augmented productc. Core productd. Product development | 7 | a |
| What do we call firms that invest in a variety of different product markets to reduce exposure to risk in single product markets?a. investment firmsb. diversified firmsc. monopoliesd. oligopolies | 8 | b |
| National, regional and local governments, as well as economic or political unions like the European Union (EU) or the North American Free Trade Agreement (NAFTA), often enforce regulations that can do which of the following?a. guide and restrict competitionb. impose taxes and subsidiesc. regulate employmentd. all of these | 9 | d |
| Michael Porter (1980, 1985) suggested that factors such as initial capital requirements, the threat of price-cutting by established firms and the level of product differentiation represent \_\_\_\_\_\_ for new-firm entrants into markets.a. barriers to entryb. opportunitiesc. market ideasd. threats | 10 | a |
| The concentration among competing players in a market and the extent to which one or a few large producers dominate this market helps us understand what?a. the degree of governmental interventionb. whether competing in a market is economically and strategically profitablec. the capital that needs to be invested by the market followerd. none of these | 11 | b |
| In the global airline industry a firm may have many choices as to which segments to compete in. However, this also means it will be more difficult for the firm to find a \_\_\_\_\_\_.a. partnerb. niche segmentc. networkd. profitable competitive position | 12 | d |
| Business objectives might relate to:a. maximization of profitsb. increasing sales revenuesc. growth in market shared. all of these | 13 | d |
| The acronym S-C-P refers to:a. market structures, firm conduct and firm performanceb. synergies, customized products and performancec. systematic screening, co-evolution of needs and profitabilityd. strategy, competitive advantage and profitability | 14 | a |
| Strategic \_\_\_\_\_\_ are decisions made by the top management team with respect to important factor conditions such as markets and technology.a. avenuesb. choicesc. possibilitiesd. imperatives | 15 | b |
| What term is used to refer to conditions when one party has superior information to the other party, creating an imbalance of power, as the better-informed party gains strategic advantage?a. power asymmetryb. imbalanced market dynamicsc. asymmetry of informationd. information overload | 16 | c |
| How can firm performance affect market structure?a. The best performing firms can dominate the market in the long term by setting standards for prices.b. The best performing firms can have exclusive access to key resources.c. Firm performance cannot affect market structure.d. Both the best performing firms can dominate the market in the long term by setting standards for prices and can have exclusive access to key resources. | 17 | c |
| The S-C-P concept enables a firm to do what?a. identify opportunities for a business, especially if it is planning to enter into an industry as a new playerb. help determine if an industry is attractive enough to remain competing inc. gain competitive advantage by differentiating its products or servicesd. all of these | 18 | d |
| Sustainable competitive advantage is what allows a firm to maintain and improve its \_\_\_\_\_\_ in a market against competitors in the long term.a. competitive positionb. profitabilityc. environmental sustainabilityd. corporate social responsibility | 19 | a |
| \_\_\_\_\_\_ is the situation where an organization earns above market returns.a. Market returnabilityb. Economic rentc. Financial capacityd. Market dominance | 20 | b |
| Barnett and McKendrick argue that differences in competitive performance within an industry can be attributed to \_\_\_\_\_\_ such as \_\_\_\_\_\_.a. external phenomena/warsb. networks/governmentsc. organizational attributes/firm sized. events/sponsorships | 21 | c |
| Which is NOT part of a PESTEL analysis?a. environmentalb. economicc. electorald. social | 22 | c |
| Which are parts of the macro-economic factors influencing firms?a. exchange ratesb. business cyclesc. economic growth ratesd. all of these | 23 | d |
| Sociocultural macro-environmental influences incorporate:a. changing cultures and demographicsb. urbanismc. gender relationsd. all of these | 24 | d |
| Legal macro-environmentalinfluences incorporate:a. legislative constraints such as health and safety legislationb. equal opportunity directivesc. both legislative constraints such as health and safety legislation and equal opportunity directivesd. none of these | 25 | c |
| Market \_\_\_\_\_\_ describes the state of a market with respect to competition.a. structureb. processc. dynamismd. all of these | 26 | a |
| Which of the following is NOT one of the basic market structures?a. the homogeneous or pure marketb. the monopolyc. the oligopolyd. the duopoly | 27 | d |
| In a homogeneousor pure market, what is it relatively easy for a firm to do?a. imitate success almost immediatelyb. conquer the marketc. gain access to capitald. all of these | 28 | a |
| In a pure market, the only distinguishing variable that a firm can use to its advantage is \_\_\_\_\_\_.a. product superiorityb. relative pricec. technological know-howd. none of these | 29 | b |
| \_\_\_\_\_\_ is characterized by a \_\_\_\_\_\_ number of players acting in relatively predictable and coordinated ways to supply products and services.a. Oligopoly/limitedb. Free market economy/limitedc. Duopoly/larged. Free market economy/huge | 30 | a |
| \_\_\_\_\_\_ occurs when competitors within an industry cooperate illegally for mutual benefit.a. Collusionb. Briberyc. Corruptiond. None of these | 31 | a |
| *\_\_\_\_\_\_* depicts a market in which the sources of competitive advantage can change quickly, and maintaining above-average profits over a long time is difficult.a. hypercompetitionb. low-level competitionc. high-level competitiond. oligopoly | 32 | a |
| Which force is NOT part of Porter’s five forces model?a. deregulationb. globalizationc. deregulation and globalizationd. barriers to entry | 33 | c |
| \_\_\_\_\_\_ is an economic term used to describe a situation where a firm’s assets are highly specialized and, therefore, cannot easily be sold to other buyers in another industry.a. asset specificityb. asset allocationc. asset dominanced. asset toxicity | 34 | a |
| \_\_\_\_\_\_ are a group of firms in the same industry that follow the same, or similar, strategies.a. strategic partnersb. cooperating firmsc. strategic groupsd. strategic networks | 35 | c |
| What is NOT part of Porter’s generic strategies?a.diversificationb. cost leadershipc.focusd. differentiation | 36 | a |