

TRUE/FALSE - Write 'T' if the statement is true and 'F' if the statement is false.

1) Environmental scanning and competitor intelligence provide important inputs for forecasting activities.

- true
- false

2) Perceptual acuity, according to Ram Charan, is the ability to know for certain what will happen in the future.

- true
- false

3) Ted Turner saw the potential of 24-hour news before anyone else. This is an example of perceptual acuity.

- true
- false

4) Environmental monitoring deals with tracking changes in environmental trends that are often uncovered during the environmental scanning process.

- true
- false

5) Competitive Intelligence (CI) is a tool that can provide management with early warnings about both threats and opportunities.

- true
- false

6) Competitive intelligence generally does *not* benefit very much from gathering information on competitors from sources in the public domain.

- true
- false

7) Even with all the advances in recent years, forecasting is typically considered more of an art than a science and it is of little use in generating accurate predictions.

- true
- false

8) Scenario analysis is a superficial approach to forecasting that seeks to explore possible developments that many only be connected to the past.

- true
- false

9) SWOT analysis is useful in part because it obliges the firm to act proactively by putting an emphasis on identifying opportunities and threats that constrain the action choices a firm might make because of its internal and external environmental scan.

- true
- false

10) In the SWOT framework, the Strengths and Weaknesses are external environmental factors to consider.

- true
- false

11) In the SWOT framework, Opportunities and Threats are environmental conditions internal to the firm.

- true
- false

12) Although changes in the general environment may often adversely or favorably impact a firm, they seldom alter an entire industry.

- true
- false

13) A major sociocultural trend in the United States is the increased number of women in the workforce that has increased the need for business clothing but decreased the demand for baking product staples.

- true
- false

14) Technological innovations can create entirely new industries and alter the boundaries of industries.

- true
- false

15) The Porter five-forces model is designed to help us understand how social attitudes and cultural values impact U.S. businesses.

- true
- false

16) The five-forces model helps to determine both the nature of competition in an industry and the profit potential for the industry.

- true
- false

17) In some industries, low switching costs can act as an important barrier to entry.

- true
- false

18) In most industries, new entrants will *not* be a threat because the Internet lowers entry barriers.

- true
- false

19) The Internet and digital technologies suppress the bargaining power of buyers by providing them with more information to make buying decisions.

- true
- false

20) Reintermediation is responsible for an overall reduction in business opportunities.

- true
- false

21) Michael Porter, the originator of the five-forces model suggests that for most industries, a one-year time horizon is appropriate for rigorously evaluating the structural underpinnings of profitability of an industry.

- true
- false

22) Michael Porter, the originator of the five-forces model suggests that, as much as possible, analysts should look at industry structure quantitatively, rather than be satisfied with lists of qualitative factors.

- true
- false

MULTIPLE CHOICE - Choose the one alternative that best completes the statement or answers the question.

23) Two of the key inputs to developing forecasts discussed in the text are

- A) environmental scanning and stakeholder identification.
- B) assessing internal strengths and environmental scanning.
- C) environmental scanning and competitive intelligence.
- D) environmental scanning and a SWOT analysis.

24) Airbus launched the A380 in 2007 and after more than 17 billion USD invested in the project, it announced in 2019 that it would discontinue the A380 production by 2021 because it had sold fewer than half the A380s it expected to deliver. This is an example of poor

- A) vision statement evaluation.
- B) assessing internal strengths.
- C) environmental scanning.
- D) mission statement evaluation.

25) Environmental analysis requires continual questioning of all these assumptions *except*

- A) *a priori* ideas about the structure of the relevant industry.
- B) continual updating of environmental knowledge.
- C) presuppositions about who is and is not a competitor.
- D) biases about how to make money in the industry.

26) Firms that were successful in the past can fail today because

- A) they keep pace with changes in the nature of competition.
- B) the company strategy is outdated.
- C) their financial situation is resilient.
- D) management monitors the relevant environmental factors regularly.

27) Which one of the following statements is an example of how to improve perceptual acuity?

- A) A CEO meets with other CEOs of non-competing companies to examine the world from multiple perspectives and then shares the results with his own management team.
- B) A CEO meets with the company management team regularly to analyze current world events and their potential impact on the company.
- C) A CEO meets with direct competitors to analyze current industry trends. The CEOs share their conclusions with their respective companies.
- D) Outsiders are brought in to the board meeting to critique the company strategy, which considers the new information in its potential revamping of the strategy.

28) Perceptual acuity requires all the following *except*

- A) an ability to sense what is coming.
- B) the ability to detect early warning signals of environmental changes.
- C) a refusal to consult with others.
- D) a strong commitment to external environmental monitoring.

29) Two non-competing global firms meet quarterly to discuss multiple perspectives on world trends. This is an example of how to improve

- A) stakeholder management.
- B) perceptual acuity.
- C) internal scanning.
- D) financial returns.

30) Which of the following is *not* an input process to develop forecasts?

- A) environmental scanning
- B) competitor intelligence
- C) stakeholder management
- D) environmental monitoring

31) Boards of directors use outsiders to critique their strategy. This is necessary mostly to improve

- A) financial returns.
- B) organizational hierarchy.
- C) perceptual acuity.
- D) employee relations.

32) When the management frame of reference gets out of touch with the realities of the actual business situation, what can happen to the firm?

- A) Management perceptual acuity improves.
- B) Management gets across-the-board raises.
- C) The company business strategy no longer works.
- D) It becomes easier to maintain competitive advantage.

33) Corporate retreats do *not*

- A) permit companies to discuss larger marketplace trends.
- B) guarantee positive consumer response to new products.
- C) give companies an opportunity to look beyond their own industries.
- D) oblige management to evaluate assumptions.

34) Why must successful managers recognize opportunities and threats in their company external environment?

- A) If they miscalculate the market, opportunities will be lost.
- B) If they misread the market, they are likely to become rich.
- C) If they identify all of the environmental threats, they are guaranteed to acquire large market share.
- D) If they identify all of the environmental opportunities, they are guaranteed to acquire large market share.

35) The failure of the A380 to reach its sales goals is due to

- A) similar competitor offers.
- B) the miscalculation of market demands.
- C) a poor selection of hotel in the sky amenities.
- D) a lack of production capacity.

36) _____ tracks the evolution of environmental trends, sequences of events, or streams of activities.

- A) Environmental scanning
- B) Environmental monitoring
- C) Environmental surveying
- D) Competitive intelligence

37) Companies that are able to spot key trends in the environment know their business and most importantly know their

- A) suppliers.
- B) employees.
- C) customers.
- D) competitors.

38) Scanning the general environment would identify information on

- A) substitute goods.
- B) customer and firm bargaining power.
- C) the aging population and ethnic shifts.
- D) competitive rivalry.

39) Which of the following is *not* an example of corporate competitive intelligence?

- A) banks tracking home loans
- B) airlines changing hundreds of fares daily in response to competitor tactics
- C) consumers comparing product offers online
- D) car manufacturers offering sales incentives based on rival offers

40) Gathering competitive intelligence

- A) is illegal.
- B) is good business practice.
- C) is considered unethical.
- D) minimizes the need to obtain information in the public domain.

41) Environmental forecasting does *not* involve plausible projections about the _____ of environmental change.

- A) direction
- B) scope
- C) speed
- D) lack of intensity

42) When investors examine the performance of beauty products like Olay moisturizers and CoverGirl cosmetics, they are looking for

- A) indicators of emerging trends.
- B) accidental changes in behavior.
- C) supplier preferences.
- D) company management trends.

43) Which of the following websites is *not* an example of one used routinely for corporate competitive intelligence gathering?

- A) Slideshare
- B) Quora
- C) Duolingo
- D) YouTube

44) Executives must be careful to avoid spending so much time and effort tracking the actions of _____ that they ignore _____.

- A) competitors; customers
- B) customers; competitors
- C) traditional competitors; new competitors
- D) existing customers; existing competitors

45) Banks and airlines are examples of two industries that track competitor offers continually. This is called the process of gathering

- A) consumer responses.
- B) competitive intelligence.
- C) past decisions.
- D) mainline information.

46) Which of the following would *not* lead a manager to believe that an ethical concern exists?

- A) Have I done anything that coerced somebody to share this information?
- B) Have I done something to circumvent a system intended to secure or protect information?
- C) Is the contemplated technique for gathering information relevant?
- D) Have I misled anybody in order to gain access?

47) In 1977, Kenneth H. Olsen, then president of Digital Equipment Corp., announced that there was no reason for individuals to have a computer in their home. Long since disproven, this is an example of

- A) poor forecasting of future consumer demand.
- B) overestimation of uncertainty.
- C) excellent forecasting.
- D) good prediction skills.

48) It is important to question the reliability of forecasts because

- A) if predictions are too low, a company like Motel 6 might build too many units and thus have a surplus of capacity.
- B) uncertainty is black and white, and therefore the gray areas are unimportant.
- C) underestimating uncertainty can lead to good competitive strategies.
- D) the growth new industries, such as that of telecommunications, cannot be predicted.

49) A danger of forecasting discussed in the text is that

- A) in most cases, the expense of collecting the necessary data exceeds the benefit.
- B) the retrospective nature of forecasting provides little information about the future.
- C) it can create legal problems for the firm if regulators discover the company is making forecasts.
- D) managers may view uncertainty as black and white while ignoring important gray areas.

50) PPG Industries, the Pittsburgh-based manufacturer of paints, coatings, optical products, specialty materials, chemicals, glass, and fiber glass has paid dividends each year since 1899. It uses a technique to help it identify possible future strategies. What is it?

- A) crowdsourcing
- B) competitive intelligence
- C) scenario analysis
- D) monitoring

51) SWOT analysis is a framework for analyzing the internal and external environment of a company. It consists of strengths, weaknesses, opportunities, and threats. According to a SWOT analysis, which of the following is *not* an aspect that the strategy of the firm must follow?

- A) build on its weaknesses
- B) remedy the weaknesses or work around them
- C) take advantage of the opportunities presented by the environment
- D) protect the firm from the threats

52) Scenario planning is a useful technique for firms competing in industries characterized by _____ and _____.

- A) predictability; stability
- B) low profit margins; stability
- C) unpredictability; change
- D) high profit margins; stability

53) Scenario analysis draws on a range of disciplines and interests. It is a more _____ approach to forecasting.

- A) basic
- B) fundamental
- C) in-depth
- D) superficial

54) In the SWOT framework, _____ are the same for all firms in the same competitive environment.

- A) strengths and weaknesses
- B) strengths and opportunities
- C) weaknesses and threats
- D) opportunities and threats

55) In the SWOT framework, _____ are internal factors that are specific to the company.

- A) strengths and opportunities
- B) strengths and threats
- C) threats and weaknesses
- D) strengths and weaknesses

56) Heightened concern with fitness might be a threat to some companies and an opportunity to others. In the SWOT framework, these are _____ environmental factors.

- A) internal
- B) external
- C) both internal and external
- D) not relevant external

57) By emphasizing the importance of identifying opportunities and threats, the SWOT framework makes firms act _____ rather than _____.

- A) quickly; slowly
- B) immediately; eventually
- C) proactively; reactively
- D) intelligently; uninformed

58) SWOT analysis raises awareness about the role of strategy in creating a match between the environmental conditions and _____ of the firm.

- A) internal opportunities and threats
- B) internal strengths and weaknesses
- C) internal strengths and opportunities
- D) internal weaknesses and opportunities

59) Steve Jobs, former chairman of Apple, demonstrated that _____ also are important in forecasting.

- A) character and ability
- B) intuition and judgment
- C) training and experience
- D) imagination and training

60) Which of the following is *not* a correct usage of the SWOT framework?

- A) build on its strengths
- B) remedy the weaknesses or work around them
- C) take advantage of the opportunities presented by the environment
- D) protect the firm from environmental weaknesses

61) The aging of the population, changes in ethnic composition, and effects of the millennial generation are _____ changes.

- A) macroeconomic
- B) global
- C) sociocultural
- D) demographic

62) Larger numbers of women entering the work force since the early 1970s is an example of

- A) demographic changes.
- B) political and legal environmental changes.
- C) sociocultural changes.
- D) technological developments.

63) Emerging sociocultural changes in the environment include

- A) changes in the ethnic composition.
- B) the increasing educational attainment of women in the past decade.
- C) progressively less disposable income by consumers.
- D) changes in the geographic distribution of the population.

64) All of the following are important elements of the political and legal segment of the general environment *except*

- A) the deregulation of utilities.
- B) the increased use of Internet technology.
- C) the Americans with Disabilities Act (ADA).
- D) increases in the federally mandated minimum wage.

65) Which of the following would be considered part of the general environment of a firm?

- A) decreased entry barriers
- B) higher unemployment rates
- C) increased bargaining power of the firm's suppliers
- D) increased competitive intensity

66) Interest rate increases have a _____ impact on the residential home construction industry and a _____ effect on industries that produce consumer necessities such as prescription drugs or basic grocery items.

- A) positive; negligible
- B) negative; positive
- C) negative; negligible
- D) positive; negative

67) In the general environment, many relationships exist among the various elements. General environmental trends can have positive and negative impacts on various industries. For example, the aging population might have a _____ impact on the health care industry and a _____ impact on the baby product industry. These are called _____ impacts.

- A) negative; positive; demographic
- B) positive; negative; technological
- C) negative; positive; sociocultural
- D) positive; negative; demographic

68) In the general environment, which of the following is *not* a demographic trend?

- A) aging population
- B) greater disparities in income levels
- C) changes in ethnic composition
- D) more women in the workforce

69) Research published in *Personnel Psychology* shows that older workers are slightly more willing to implement organizational changes than younger workers. This is an example of which segment of the general environment?

- A) economic
- B) demographic
- C) sociocultural
- D) political and legal

70) Most companies today use a three-stage career model of education, work, and retirement, but longer lives means changes will be inherent in multistage career models that will need to be addressed by human resource practices. This is an example of which segments of the general environment?

- A) economic
- B) demographic
- C) sociocultural
- D) political and legal

71) The U.S. Congress passed the Sarbanes-Oxley Act in 2002, which greatly increases the accountability of auditors, executives, and corporate lawyers. Sarbanes-Oxley has also created a tremendous demand for professional accounting services. This is an example of which segment of the general environment?

- A) economic
- B) sociocultural
- C) political and legal
- D) demographic

72) A bill passed by the U.S. Congress in October 2000 allowed 195,000 H-1B visas for each of the following three years—up from a cap of 115,000. However, beginning in 2006 and continuing through 2019, the annual cap on H-1B visas has shrunk to only 65,000—with an additional 20,000 visas available for foreigners with a masters or higher degree from a U.S. institution. This is an example of which segment of the general environment?

- A) economic
- B) demographic
- C) sociocultural
- D) political and legal

73) Data Analytics are being used by corporations to understand their customer purchasing patterns. This is an example of which segment of the general environment?

- A) economic
- B) demographic
- C) technological
- D) political and legal

74) Genetic engineering has had a positive impact on the pharmaceutical industry. This is an example of which type of general environmental trend?

- A) economic
- B) demographic
- C) technological
- D) political and legal

75) Which is considered a force in the five-forces model?

- A) increased deregulation in an industry
- B) the threat of government intervention
- C) recent technological innovation
- D) rivalry among competing firms

76) Airbnb, a room-sharing site, offers more rooms than Marriott. Goldman Sachs suggests that the supply of new rooms over the next two years will outpace the previous five even though the growth of American occupancy rates has begun to slow. Which competitive force is involved in this situation?

- A) the threat of favorable government policies
- B) the threat of new buyers
- C) the threat of new entrants
- D) the threat of proprietary products

77) Which of the following firms would likely pose the *least* competitive threat?

- A) a firm in the same industry and in the same strategic group
- B) a competitor to your product where a high switching cost exists
- C) a firm that produces substitute goods to your product line
- D) a firm in the same industry and in the nearest strategic group looking to join your group

78) The threat of new entrants is high when there are

- A) high capital requirements.
- B) low economies of scale.
- C) high switching costs.
- D) high differentiation among competitor products and services.

79) Product differentiation by incumbents act as an entry barrier because

- A) new entrants cannot differentiate their products.
- B) incumbents will take legal action if new entrants do not differentiate their products.
- C) it helps a firm to derive greater economies of scale.
- D) new entrants will have to spend heavily to overcome existing customer loyalties.

80) Which of the following would be an entry barrier?

- A) easy access to raw materials
- B) low switching costs
- C) large economies of scale
- D) low capital requirements

81) An automobile manufacturer acquires a rental car company. This is an example of

- A) backward integration.
- B) forward integration.
- C) economies of scale.
- D) product differentiation.

82) The bargaining power of the buyer is greater than that of the supplier when

- A) volume of purchase is low.
- B) the buyer profit margin is low.
- C) cost savings from the supplier's product are minimal.
- D) threat of backward integration by buyers is low.

83) Buyer power will be greater when

- A) the products purchased are highly differentiated.
- B) it is concentrated or when a buyer group purchases large volumes relative to seller sales.
- C) the industry product is very important to the quality of the buyer end products or services.
- D) there are high switching costs.

84) The bargaining power of suppliers increases as

- A) threat of forward integration by suppliers increases.
- B) importance of buyers to supplier group increases.
- C) switching costs for buyers decrease.
- D) more suppliers enter the market.

85) New communication technology can impact seemingly unrelated industries such as the airline industry. This would be an example of a

- A) threat of entry.
- B) backward integration.
- C) threat of substitute products.
- D) forward integration.

86) The bargaining power of suppliers is enhanced under which following market condition?

- A) no threat of forward integration
- B) low differentiation of the supplier products
- C) greater availability of substitute products
- D) dominance by a few suppliers

87) In the five-forces model, conditions under which a supplier group can be powerful include all of the following *except*

- A) lack of importance of the buyer to the supplier group.
- B) high differentiation by the supplier.
- C) readily available substitute products.
- D) dominance by a few suppliers.

88) Because the Internet lowers barriers to entry in most industries, it

- A) decreases the threat of new entrants.
- B) increases supplier power.
- C) makes it easier to build customer loyalty.
- D) increases the threat of new entrants.

89) Pittsburgh-based FreeMarkets has developed software enabling large industrial buyers to organize online auctions for qualified suppliers of semistandard parts such as fabricated components, and services. By aggregating buyers, FreeMarkets _____ the _____ bargaining power.

- A) decreases; buyer
- B) increases; buyer
- C) increases; supplier
- D) decreases; supplier

90) End users are *not*

- A) the final consumers in a distribution channel.
- B) the first customers in a distribution channel.
- C) likely to have greater bargaining power because of the Internet.
- D) usually the C in B2C.

91) Incumbent firms may enjoy increased bargaining power because the Internet

- A) focuses marketing efforts on end users.
- B) has reduced the number of wholesalers and distributors.
- C) increases channel conflict.
- D) diminishes the power of many distribution channel intermediaries.

92) Supplier power has increased because of the Internet for all the following reasons *except*

- A) the growth of new web-based businesses has created more outlets for suppliers to sell to.
- B) software that links buyers to a supplier's website has created rapid, low-cost order capabilities.
- C) the process of disintermediation makes it possible for some suppliers to reach end users directly.
- D) some suppliers have created web-based purchasing systems that encourage switching.

93) In general, the threat of substitutes is heightened because the Internet

- A) lowers switching costs.
- B) lowers barriers to entry.
- C) introduces new ways to accomplish the same task.
- D) increases output per unit of cost.

94) How do infomediaries and consumer information websites increase the intensity of competitive rivalry?

- A) by shifting customers away from issues of price
- B) by consolidating the marketing message that consumers use to make a purchase decision
- C) by making competitors in cyberspace seem less equally balanced
- D) by highlighting unique selling advantages of a firm

95) The value net is a game-theoretic approach that

- A) extends the value chain analysis.
- B) uses network analysis to understand the relationships among different companies.
- C) helps us to understand the evolution of the five forces over time.
- D) is a way to analyze how the interactions of all the players in a game affect the firm.

96) In the value net analysis, complementors are

- A) firms that produce substitute products.
- B) firms that produce products that have a positive impact on company product value.
- C) customers who compliment the company for their good products and services.
- D) firms that supply critical inputs to a company.

97) Complements are products or services that have a potential impact on the _____ of the products or services of that company.

- A) cost
- B) availability
- C) value
- D) substitutability

98) Nintendo built a security chip into its game console hardware and then licensed the right to develop games to outside firms. These firms paid a royalty to Nintendo for each copy of the game sold. This is an example of Nintendo using _____ products.

- A) substitute
- B) complement
- C) unrelated
- D) differentiated

99) Elements of the five forces can be quantified. This is important for analyzing industry structure. Which of the following is *not* an example of an element that can be quantified?

- A) the percentage of the buyer total cost accounted for by the industry product
- B) the percentage of industry sales required to fill a plant or operate a logistical network to efficient scale
- C) the buyer switching cost
- D) the governmental regulatory policy

100) Strategic groups consist of a group of

- A) top executives that makes strategies for a company.
- B) executives drawn from different companies within an industry that makes decisions on industry standards.
- C) firms within an industry that decides to collude rather than compete with each other so that they can increase their profits.
- D) firms within an industry that follows similar strategies.

101) Which of the following statements about strategic groups is *false*?

A) Two assumptions are made: (1) no two firms are totally different, and (2) no two firms are exactly the same.

B) Strategic groupings are of little help to a firm in assessing mobility barriers that protect a group from attacks by other groups.

C) Strategic groups help chart the future directions of firm strategies.

D) Strategic groups are helpful in thinking through the implications of each industry trend for the group as a whole.

102) Strategic groups consist of firms that are more _____ to each other than firms that are not.

A) familiar

B) similar

C) friendly

D) useful

103) Strategic groups are clusters of firms that share _____ strategies.

A) differing

B) the same

C) similar

D) new

104) Classifying an industry into strategic groups involves judgment. If it is useful as an analytical tool, we must exercise caution in deciding what dimensions to use to map these firms. Dimensions include all of the following *except*

- A) breadth of product and geographic scope.
- B) price and quality.
- C) degree of vertical integration.
- D) management team.

105) Referring to the textbook Exhibit 2.7 The World Automobile Industry: Strategic Groups, which strategic group is the largest in terms of breadth of product line?

- A) Ferrari, Lamborghini, Porsche
- B) Toyota, Ford, General Motors, Chrysler, Honda, Nissan
- C) Chery, Geely, Tata Motors
- D) Mercedes, BMW, Audi

106) Referring to the textbook Exhibit 2.7 The World Automobile Industry: Strategic Groups, which strategic group is the smallest in terms of breadth of product line?

- A) Hyundai, Kia
- B) Toyota, Ford, General Motors, Chrysler, Honda, Nissan
- C) Chery, Geely, Tata Motors
- D) Mercedes, BMW, Audi

107) Referring to the textbook Exhibit 2.7 The World Automobile Industry: Strategic Groups, which strategic group consists of firms high in product pricing/quality and average in their product-line breadth?

- A) Ferrari, Lamborghini, Porsche
- B) Toyota, Ford, General Motors, Chrysler, Honda, Nissan
- C) Chery, Geely, Tata Motors
- D) Mercedes, BMW, Audi

108) In 2014, Audi introduced the Q3 SUV at a base price of only \$32,500. And BMW, with its 1-series, is another well-known example. Such cars, priced in the low \$30,000s, compete more directly with products from broad-line manufacturers like Ford, General Motors, and Toyota. This suggests that members of a strategic group can overcome _____ barriers and migrate to other groups that they find attractive if they are willing to commit time and resources.

- A) mobility
- B) competitive
- C) pricing
- D) cost

109) The strategic groups concept is valuable for identifying groups with _____ competitive positions.

- A) marginal
- B) exceptional
- C) healthy
- D) poor

110) The strategic groups concept is valuable for charting the _____ directions of firm strategies.

- A) historical
- B) past
- C) present
- D) future

111) The strategic groups concept is valuable for assessing the implications of industry _____ for the strategic group as a whole.

- A) trends
- B) positions
- C) experience
- D) wealth

112) Michael Porter, the originator of the five-forces model suggests that an improved understanding of the root causes of profitability depends upon two critical issues when conducting an industry analysis. One of these is

- A) a quick overview of the forces involved.
- B) the selection of an appropriate time frame.
- C) qualitative analysis of the forces involved.
- D) the selection of a short time frame.

113) Delta Pride Catfish, a supplier group of catfish farmers in Mississippi, formed a cooperative to process their own fish, thus bypassing ConAgra and Farm Fresh, their previous processing contractors. By 2014, Delta Pride Catfish controlled over 40 percent of the U.S. catfish market. This is an example of the

- A) bargaining power of competitors.
- B) bargaining power of suppliers.
- C) threat of substitute products.
- D) backward integration of services.

114) Which one of the following is *not* an effect of the digital economy according to the textbook?

- A) globalization of business
- B) decrease in collaboration
- C) disintermediation of markets
- D) reduction in the asset intensity of business operations

115) Medical monitoring through wearable devices has been approved by the U.S. Food and Drug Administration for offers from Apple. This is an important development of which factor of the general environment?

- A) technological
- B) sociocultural
- C) demographic
- D) economic

116) Grocery stores in California charge money for their plastic bags. This is a response to environmental sustainability concerns and is part of the considerations under which general environment factor?

- A) technological
- B) sociocultural
- C) demographic
- D) economic

117) Changes in the U.S. national debt can have a big impact on the ability of the country to compete in world markets. This is an example of which factor in the general environment?

- A) technological
- B) sociocultural
- C) demographic
- D) economic

SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.

118) Using the five-forces model, explain a potential reason why Alaska Airlines purchased Virgin America in December 2016.

119) Use the Quora website (www.quora.com) to study the African country of Ethiopia. According to the general environment factors listed in the textbook (demographic, sociocultural, political/legal, technological, economic, global), make a case for a company to include the country in its list of desirable customers. Be sure to define your company by industry.

120) What is the difference between the demographic segment and the sociocultural segment in the list of general environment factors that impact the strategy and performance of a firm? Provide specific examples to support your discussion.

121) Using the five-forces model, explain how the threat of new entrants might affect a U.S.-based manufacturer of lead acid batteries used for industrial storage.

122) Fast fashion retailer success depends upon the ability to spot trends. Explain this in terms of environmental scanning, monitoring and collecting of competitive intelligence. Use an example to support your argument. Companies such as H&M and Zara fall into this category but there are many other competitors.

123) Analyze the impact of the current U.S. government annual cap on H-1B visas on the high-tech industry. What are the implications for this industry going forward in terms of human resource management?

124) Many relationships exist among the various general environmental factors. Choose two real-world examples and demonstrate how the relationship is of importance in evaluating the general environment.

125) Identifying and analyzing the potential impact of observed trends in the general environment is an important task in strategic management. Examine a current trend in the demographic environment and demonstrate the potential impact this could have on a specific industry.

126) There is an intense rivalry in the U.S. grocery industry. Grocers are always trying to find ways to differentiate themselves with more or less success. Analyze the difference in offers between the largest grocery chain in your hometown and that of Aldi. How do they differ? What do these differences suggest are key tools being used to reduce intense rivalry and raise profitability?

127) The textbook authors suggest that managers should not always avoid low-profit industries or low-profit segments in profitable industries. Explain the reasoning using an example *not* given in the textbook.

128) How do the offers of automobile manufacturer Tesla Inc. place the company in the strategic grouping of the world automobile industry described in the textbook? Use the Porter five-forces model to motivate your analysis and conclusions.

129) For an industry of your choice, use the strategic group concept as an analytical tool to analyze the barriers to mobility that protect a group from attacks by other groups in your industry.

130) For an industry of your choice, use the strategic group concept as an analytical tool to identify and analyze the groups whose competitive position may be marginal or tenuous.

131) For an industry of your choice, use the strategic group concept as an analytical tool to chart the future directions of strategies of the firms.

132) For an industry of your choice, use the strategic group concept as an analytical tool to identify and analyze the implications of each industry trend for the strategic group as a whole.

Answer Key

Test name: Chapter 02

- 1) TRUE
- 2) FALSE
- 3) TRUE
- 4) TRUE
- 5) TRUE
- 6) FALSE
- 7) FALSE
- 8) FALSE
- 9) TRUE
- 10) FALSE
- 11) FALSE
- 12) FALSE
- 13) TRUE
- 14) TRUE
- 15) FALSE
- 16) TRUE
- 17) FALSE
- 18) FALSE
- 19) FALSE
- 20) FALSE
- 21) FALSE
- 22) TRUE
- 23) C
- 24) C
- 25) B
- 26) B

- 27) C
- 28) C
- 29) B
- 30) C
- 31) C
- 32) C
- 33) B
- 34) A
- 35) B
- 36) B
- 37) C
- 38) C
- 39) C
- 40) B
- 41) D
- 42) A
- 43) C
- 44) C
- 45) B
- 46) C
- 47) A
- 48) A
- 49) D
- 50) C
- 51) A
- 52) C
- 53) C
- 54) D
- 55) D
- 56) B

- 57) C
- 58) B
- 59) B
- 60) D
- 61) D
- 62) C
- 63) B
- 64) B
- 65) B
- 66) C
- 67) D
- 68) D
- 69) C
- 70) C
- 71) C
- 72) D
- 73) C
- 74) C
- 75) D
- 76) C
- 77) B
- 78) B
- 79) D
- 80) C
- 81) B
- 82) B
- 83) B
- 84) A
- 85) C
- 86) D

- 87) C
- 88) D
- 89) B
- 90) B
- 91) D
- 92) D
- 93) C
- 94) B
- 95) D
- 96) B
- 97) C
- 98) B
- 99) D
- 100) D
- 101) B
- 102) B
- 103) C
- 104) D
- 105) B
- 106) C
- 107) D
- 108) A
- 109) A
- 110) D
- 111) A
- 112) B
- 113) B
- 114) B
- 115) B
- 116) B

117) D

118) Students should discuss the relative importance of rivalry in the industry and how Alaska Airlines responded to the intense rivalry by buying one of its major competitors to gain more desirable routes and passengers.

119) Students should conduct a PESTEL analysis of Ethiopia to identify potential areas of strength. Then, choosing an industry and a specific company with that industry, they should demonstrate why selling to Ethiopia could be a good opportunity.

120) Demographics are the most easily understood and quantifiable elements of the general environment. They are at the root of many changes in society. Demographics include elements such as the aging population, rising or declining affluence, changes in ethnic composition, geographic distribution of the population, and disparities in income level. Sociocultural forces influence the values, beliefs, and lifestyles of a society. Examples include a higher percentage of women in the workforce, dual-income families, increases in the number of temporary workers, greater concern for healthy diets and physical fitness, greater interest in the environment, and postponement of having children. Such forces enhance sales of products and services in many industries but depress sales in others.

121) Students should conduct a five-forces analysis of the industry which will demonstrate that the largest regional manufacturing market is in Asia Pacific, and recently Europe is witnessing growth as well. Two major competitors in the United States include East Penn Manufacturing and EnerSys. The United States is a leader in recycling of lead used in these batteries.

122) Environmental scanning, monitoring, and competitive intelligence are important inputs for analyzing the external environment. Experts agree that spotting key trends requires a combination of knowing your business and your customer as well as keeping an eye on what's happening around you. Such a big-picture/small-picture view enables you to better identify the emerging trends that will affect your business.

123) Legislation can also affect firms in the high-tech sector of the economy by expanding the number of temporary visas available for highly skilled foreign professionals. For example, a bill passed by the U.S. Congress in October 2000 allowed 195,000 H-1B visas for each of the following three years-up from a cap of 115,000. However, beginning in 2006 and continuing through 2019, the annual cap on H-1B visas has shrunk to only 65,000-with an additional 20,000 visas available for foreigners with a Masters or higher degree from a U.S. institution. Many of the visas are for professionals from India with computer and software expertise. In 2014, companies applied for 172,500 H-1B visas. This means that at least 87,500 engineers, developers, and others could not take jobs in the United States. As one would expect, this is a political hot potato for industry executives as well as U.S. labor and worker rights groups. The key arguments against H-1B visas are that H-1B workers drive down wages and take jobs from Americans.

124) Refer to Exhibit 2.3 in the chapter. In our discussion of the general environment, we see many relationships among the various elements. For example, a demographic trend in the United States, the aging of the population, has important implications for the economic segment (in terms of tax policies to provide benefits to increasing numbers of older citizens). Another example is the emergence of information technology as a means to increase the rate of productivity gains in the United States and other developed countries. Such use of IT results in lower inflation (an important element of the economic segment) and helps offset costs associated with higher labor rates.

125) Exhibit 2.3 provides other examples of how the impact of trends or events in the general environment can vary across industries.

126) Strategy Spotlight 2.4 illustrates how U.S. grocery chains struggle to raise prices in the face of intense competition.

127) For industry analysis to be valuable, a company must collect and evaluate a wide variety of information. As the trend toward globalization accelerates, information on foreign markets as well as on a wider variety of competitors, suppliers, customers, substitutes, and potential new entrants becomes more critical. Industry analysis helps a firm not only to evaluate the profit potential of an industry but also to consider various ways to strengthen its position vis-à-vis the five forces. However, we would like to address a few caveats. First, managers must not always avoid low-profit industries (or low-profit segments in profitable industries). Such industries can still yield high returns for some players who pursue sound strategies. As an example, consider WellPoint Health Network (now Anthem, Inc.), a huge health care insurer.

128) Exhibit 2.7 provides a strategic grouping of the worldwide automobile industry. Students should conduct a study of Tesla Inc. using the five-forces model and conclude where it would fit in the strategic grouping illustrated in the textbook.

129) The threat of new entrants refers to the possibility that the profits of established firms in the industry may be eroded by new competitors. The extent of the threat depends on existing barriers to entry and the combined reactions from existing competitors. If entry barriers are high and/or the newcomer can anticipate a sharp retaliation from established competitors, the threat of entry is low. These circumstances discourage new competitors. There are six major sources of entry barriers: economies of scale, product differentiation, capital requirements, switching costs, access to distribution channels, and cost disadvantages independent of scale.

130) In an industry analysis, two assumptions are unassailable: (1) No two firms are totally different, and (2) no two firms are exactly the same. The issue becomes one of identifying groups of firms that are more similar to each other than firms that are not, otherwise known as strategic groups. This is important because rivalry tends to be greater among firms that are alike. Strategic groups are clusters of firms that share similar strategies. The second value of strategic grouping is that it helps a firm identify groups whose competitive position may be marginal or tenuous. We may anticipate that these competitors may exit the industry or try to move into another group.

131) In an industry analysis, two assumptions are unassailable: (1) No two firms are totally different, and (2) no two firms are exactly the same. The issue becomes one of identifying groups of firms that are more similar to each other than firms that are not, otherwise known as strategic groups. Strategic groupings help chart the future directions of strategies of firms. Arrows emanating from each strategic group can represent the direction in which the group (or a firm within the group) seems to be moving. If all strategic groups are moving in similar direction, this could indicate a high degree of future volatility and intensity of competition.

132) In an industry analysis, two assumptions are unassailable: (1) No two firms are totally different, and (2) no two firms are exactly the same. The issue becomes one of identifying groups of firms that are more similar to each other than firms that are not, otherwise known as strategic groups. Strategic groups are helpful in thinking through the implications of each industry trend for the strategic group as a whole. Is the trend decreasing the viability of a group? If so, in what direction should the strategic group move? Is the trend increasing or decreasing entry barriers? Will the trend decrease the ability of one group to separate itself from other groups? Such analysis can help in making predictions about industry evolution.