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MULTIPLE CHOICE 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:

Question and options	**#**	**Ans.**
What is part of a firm's business environment? a. Market environment b. Legal frameworks c. Institutional structures d. All of the above	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/demand b. demand drivers/demand c. technology drivers/goals d. properties/objectives	2	b
_____ are relationships with other entities, such as competing firms or government. a. Competitive relationships b. Horizontal relationships c. Thorough relationships d. Vertical relationships	3	b

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_____ are about the management of suppliers and buyers. a. Vertical relationships b. Horizontal relationships c. Governmental relationships d. 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 view b. Value chain c. Industrial organization d. Macro economics	5	c
According to industrial organization theory, which factor does NOT influence market structure? a. Supply conditions b. Demand for a product c. Manufacturing base of the leading firm d. 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 differentiation b. Augmented product c. Core product d. 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 firms b. Diversified firms c. Monopolies d. Oligopolies	8	b

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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 competition b. Impose taxes and subsidies c. Regulate employment d. All of the above	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 entry b. Opportunities c. Market ideas d. 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 intervention b. Whether competing in a market is economically and strategically profitable c. The capital that needs to be invested by the market follower d. None of the above	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. Partner b. Niche segment c. Network d. Profitable competitive position	12	d
Business objectives might relate to: a. Maximization of profits	13	d

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b. Increasing sales revenues c. Growth in market share d. All of the above		
The acronym S-C-P refers to: a. Market structures, firm conduct and firm performance b. Synergies, customized products and performance c. Systematic screening, co-evolution of needs and profitability d. 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. Avenues b. Choices c. Possibilities d. 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 asymmetry b. Imbalanced market dynamics c. Asymmetry of information d. 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. a and b	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 player b. Help determine if an industry is attractive enough to remain	18	d

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competing in c. Gain competitive advantage by differentiating its products or services d. All of the above		
Sustainable competitive advantage is what allows a firm to maintain and improve its _____ in a market against competitors in the long term. a. competitive position b. profitability c. environmental sustainability d. corporate social responsibility	19	a
_____ is the situation where an organization earns above market returns. a. Market returnability b. Economic rent c. Financial capacity d. 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/wars b. networks/governments c. organizational attributes/firm size d. events/sponsorships	21	c
Which is NOT part of a PESTEL analysis? a. Environmental b. Economic c. Electoral d. Social	22	c
Which are parts of the macro-economic factors influencing firms? a. Exchange rates b. Business cycles	23	d

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c. Economic growth rates d. All of the above		
Sociocultural macro-environmental influences incorporate: a. Changing cultures and demographics b. Urbanism c. Gender relations d. All of the above	24	d
Legal macro-environmental influences incorporate: a. Legislative constraints such as health and safety legislation b. Equal opportunity directives c. Both of the above d. None of the above	25	c
Market _____ describes the state of a market with respect to competition. a. structure b. process c. dynamism d. All of the above	26	a
Which of the following is NOT one of the basic market structures? a. The homogeneous or pure market b. The monopoly c. The oligopoly d. The duopoly	27	d
In a homogeneous or pure market, what is it relatively easy for a firm to do? a. Imitate success almost immediately b. Conquer the market c. Gain access to capital d. All of the above	28	a
In a pure market, the only distinguishing variable that a firm can use to its advantage is _____. a. Product superiority	29	b

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b. Relative price c. Technological know-how d. None of the above		
_____ is characterized by a _____ number of players acting in relatively predictable and coordinated ways to supply products and services. a. Oligopoly/limited b. Free market economy/limited c. Duopoly/large d. Free market economy/huge	30	a
_____ occurs when competitors within an industry cooperate illegally for mutual benefit. a. Collusion b. Bribery c. Corruption d. None of the above	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. Hypercompetition b. Low-level competition c. High-level competition d. Oligopoly	32	a
Which force is NOT part of Porter's five forces model? a. Deregulation b. Globalization c. a and b d. 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 specificity b. Asset allocation	34	a

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c. Asset dominance d. Asset toxicity		
_____ are a group of firms in the same industry that follow the same, or similar, strategies. a. Strategic partners b. Cooperating firms c. Strategic groups d. Strategic networks	35	c
What is NOT part of Porter's generic strategies? a. Diversification b. Cost leadership c. Focus d. Differentiation	36	a

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Chapter 2 ESSAY QUESTIONS

This section comprises five essay questions. The answers should reflect the students' knowledge of the topic area learned in class, through their readings and through other sources. Good students will demonstrate their ability to reflect on, and critique, key ideas or issues. These questions can be incorporated into a mid-term or end-of-semester exam. Conversely, the questions can be assigned as a take-home essay assignment. The length of the expected answer will vary accordingly, but typically expect 2–3 pages in an exam setting, and request 2,000 words or more in a take-home essay assignment.

a. Discuss the foundations and developments of the SCP paradigm.
b. What are the factors that might explain variations in organization performance in an industry?
c. Describe the role and characteristics of the forces described in Porter's five forces model.
d. Critically evaluate the value of Porter's generic strategies for understanding strategy.
e. What are the characteristics of the value chain and how does the chain help us to understand strategy?

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