

True / False

1. The external environment facing business stays relatively constant over time.
 - a. True
 - b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 40

LEARNING OBJECTIVES: STMA.HITT.15.02.01 - 02.01

NATIONAL STANDARDS: United States - BUSPROG: Analytic

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

2. Demographic, economic, political/legal, sociocultural, technological, global, and physical are the seven elements comprising the industry environment.
 - a. True
 - b. False

ANSWER: True

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 40 (Table 2.1)

LEARNING OBJECTIVES: STMA.HITT.15.02.02 - 02.02

NATIONAL STANDARDS: United States - BUSPROG: Analytic

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Knowledge

3. Firms can directly control the elements of the seven segments of the general environment.
 - a. True
 - b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 39

LEARNING OBJECTIVES: STMA.HITT.15.02.02 - 02.02

NATIONAL STANDARDS: United States - BUSPROG: Analytic

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

4. The recent bankruptcy filings by General Motors and Chrysler Corporation illustrate that firms cannot directly control the general environment's segments.

- a. True
- b. False

ANSWER: True

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 39

LEARNING OBJECTIVES: STMA.HITT.15.2-02 - 02.02

NATIONAL STANDARDS: United States - BUSPROG: Analytic

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Application

5. The industry environment directly influences the firm and its competitive actions and responses.

- a. True
- b. False

ANSWER: True

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 39

LEARNING OBJECTIVES: STMA.HITT.15.2-02 - 02.02

NATIONAL STANDARDS: United States - BUSPROG: Analytic

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing decision-making processes | Bloom: Knowledge

6. Competitor analysis is focused on the factors and conditions influencing an industry's profitability potential.

- a. True
- b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 39

LEARNING OBJECTIVES: STMA.HITT.15.2-02 - 02.02

NATIONAL STANDARDS: United States - BUSPROG: Analytic

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing decision-making processes | Bloom: Comprehension

7. When firms analyze the external environment, they typically have complete and unambiguous data.

- a. True
- b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 40

LEARNING OBJECTIVES: STMA.HITT.15.02.02 - 02.02

NATIONAL STANDARDS: United States - BUSPROG: Analytic

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing decision-making processes | Bloom: Comprehension

8. Monitoring involves the development of a forecast of what might happen at a future point in time.

- a. True
- b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 42

LEARNING OBJECTIVES: STMA.HITT.15.02.03 - 02.03

NATIONAL STANDARDS: United States - BUSPROG: Analytic

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Strategy | Dierdorff & Rubin: Managing decision-making processes | Bloom: Knowledge

9. Scanning involves detecting meaning through early signals of environmental trends.

- a. True
- b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 41–42

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NATIONAL STANDARDS: United States - BUSPROG: Analytic

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing decision-making processes | Bloom: Knowledge

10. When Philip Morris International studies the cigarette tax policies of various nations, it is engaged in the forecasting component of the environmental analysis process.
- a. True
 - b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 42–43

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NATIONAL STANDARDS: United States - BUSPROG: Analytic

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing decision-making processes | Bloom: Application

11. The objective of assessing the external environment is to determine the timing and importance of the effects of environmental changes and trends on the strategic management of the firm.
- a. True
 - b. False

ANSWER: True

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 43

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Knowledge

12. Age structure, geographic distribution, income distribution, interest rates, and process innovations are all elements of concern when studying the demographic segment of the general environment.
- a. True
 - b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 43–46

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

13. In recent times, businesspeople have become more confident in the ability of economists to provide valid and reliable predictions about the world's economic environment.

- a. True
- b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 46

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing decision-making processes | Bloom: Comprehension

14. The legislation introduced in the U.S. Congress during the early tenure of the Obama administration intended to reduce the amount of work U.S. companies outsource and is an example of a potential change in the sociocultural segment of the general environment.

- a. True
- b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 47

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Legal Responsibilities | Dierdorff & Rubin: Managing the task environment | Bloom: Application

15. The European sovereign-debt crisis and political upheavals in Egypt, Tunisia, Libya, and Syria illustrate uncertainties in the political/legal segment of the general environment that could affect the performance of business firms.

- a. True
- b. False

ANSWER: True

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 46–47

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Legal Responsibilities | Dierdorff & Rubin: Managing the task environment | Bloom: Application

16. Developing a political strategy by the newly formed General Motors would likely be ineffective as firms are generally unable to influence the political/legal environment.
- a. True
 - b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 46–47

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Legal Responsibilities | Dierdorff & Rubin: Managing the task environment | Bloom: Application

17. Although health care reform legislation was passed in the early part of the Obama administration, it continues to be a bone of contention for employers, employees, and politicians because of its delays and increased expenses. These attitudes about health care reform make up the sociocultural segment of the general environment.
- a. True
 - b. False

ANSWER: True

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 47–48

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Application

18. Early adopters of new technology often achieve higher market shares and higher returns than later adopters of the technology.
- a. True
 - b. False

ANSWER: True

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 48–49

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Creation of Value | Dierdorff & Rubin: Knowledge of technology, design, & production | Bloom: Knowledge

19. Contrary to popular belief, the global segment of the external environment does not provide many opportunities for firms such as H.J. Heinz, SAB Miller, and Citigroup, all of which recently experienced low growth and profits coming from emerging markets.

- a. True
- b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 49

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Multicultural & Diversity | Management: Individual Dynamics | Dierdorff & Rubin: Managing decision-making processes | Bloom: Application

20. Globalfocusing is often used by firms with high levels of international operations who further increase their internationalization by focusing on global niche markets.

- a. True
- b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 50

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Multicultural & Diversity | Management: Individual Dynamics | Dierdorff & Rubin: Managing decision-making processes | Bloom: Comprehension

21. Global warming and energy consumption are aspects of the technological environment segment that firms should monitor.

- a. True
- b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 48–49

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Knowledge

22. PepsiCo's strategy called "capital performance with a purpose" links green efforts in ll businesses to the bottom line. This is an example of addressing concerns in the physical segment of the general environment.

- a. True
- b. False

ANSWER: True

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 50

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Application

23. The five forces model expands the arena of competitive analysis beyond direct competitors (i.e., rivals) to include buyers and suppliers who may also be a source of competition.

- a. True
- b. False

ANSWER: True

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 52

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

24. Switching costs, access to distribution channels, economies of scale, large numbers of competing firms, and slow industry growth are some of the entry barriers that may affect the threat of new entrants to an industry.

- a. True
- b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 53-56

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

25. An example of a government policy barrier to entry would be a situation in which the Antitrust Division of the Department of Justice disallows a merger because it creates a firm that is too dominant and would thus create unfair competition.
- a. True
 - b. False

ANSWER: True

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 55

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

26. Suppliers are powerful when the industry is dominated by a few large companies, no satisfactory substitutes are available, the selling industry is relatively more concentrated than the purchasing industry, and switching costs are high.
- a. True
 - b. False

ANSWER: True

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 56

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

27. Tablets such as the iPad have had little effect on the sale of PCs in the United States, and PC producers such as Taiwan's Acer Computers have experienced significant growth.
- a. True
 - b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 57

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Application | Bloom: Application

28. Exit barriers are especially low in the airline industry as aircraft are not particularly specialized and can easily be sold to other airlines, air cargo companies, the military, or even to wealthy individuals who want to own a private jet. a. True
b. False

ANSWER: True

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 59

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

29. Generally, the stronger the competitive forces, the higher the profit potential of an industry.
a. True
b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 60, 62–63

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

30. An attractive industry is one that is characterized by high entry barriers, suppliers and buyers with strong bargaining power, low threats from substitute products, and low rivalry among firms.
a. True
b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 52, 59

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

31. Strategic groups are firms in different industries following the same or similar strategies.

- a. True
- b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 60

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Knowledge

32. The strengths of the five competitive forces are similar across strategic groups within an industry.

- a. True
- b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 60

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

33. The more distant strategic groups are in terms of their strategies, the greater the likelihood of rivalry between the groups.

- a. True
- b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 60

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

34. The competitor analysis is the final part of the external environment analysis and focuses on each company against which a firm directly competes (for example, Coca-Cola and PepsiCo, Home Depot and Lowe's, and Airbus and Boeing).
- a. True
 - b. False

ANSWER: True

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 60, 62

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

35. The process of competitor analysis should examine the competitor's future objectives, current strategy, assumptions, and capabilities.
- a. True
 - b. False

ANSWER: True

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 62

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

36. When Delta Air Lines wants to study Continental Airlines, it must examine both Continental and its complementor, Star Alliance.
- a. True
 - b. False

ANSWER: True

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 63

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

37. Eavesdropping is an ethical way to obtain information about competitors' actions.

- a. True
- b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 64

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Ethics | Management: Ethical Responsibilities | Dierdorff & Rubin:
Foundational skills | Bloom: Knowledge

38. Any competitor intelligence practice that is legal is also ethical.

- a. True
- b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 64

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Ethics | Management: Ethical Responsibilities | Dierdorff & Rubin:
Foundational skills | Bloom: Comprehension

39. Eavesdropping by the NSA on average Americans is ethical because it is a governmental organization instead of a for-profit company.

- a. True
- b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 64

Multiple Choice

40. BP, in response to the Deepwater Horizon oil spill, expected increased scrutiny coming from which of the following segments of the general environment?
- a. political/legal
 - b. global
 - c. technological
 - d. sociocultural

ANSWER: a

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 46–47

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Reflective Thinking Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Application

41. Coca-Cola and PepsiCo have been accused of contributing to the obesity problem in the United States. This accusation comes from the _____ segment of the general environment.
- a. economic
 - b. political/legal
 - c. technological
 - d. sociocultural

ANSWER: d

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 47–48

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Reflective Thinking Skills | Management: Strategy | Dierdorff & Rubin: Managing the task environment | Bloom: Application

42. The recent joint ventures formed by BP with Russian and Indian partners show the importance of the _____ segment of the general environment that BP and other integrated oil firms have to manage when contending with scarce resources.
- a. political/legal
 - b. physical
 - c. demographic
 - d. global

ANSWER: d

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 49–50

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Strategy | Dierdorff & Rubin: Managing the task environment | Bloom: Application

43. Acme Valves, Inc., has been a successful player in the oil field supply industry in the last 15 years. Acme maintained its traditional strategy and product characteristics over this time period. However, Acme has experienced declines in sales and profits over the last four quarters. The CEO of Acme should
- a. continue with the proven strategy because its returns over the long run are important.
 - b. focus on improving efficiency of production and cost control.
 - c. conduct an analysis of the external environment.
 - d. immediately begin making incremental adjustments to the traditional business strategy in an effort to improve sales.

ANSWER: c

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 51

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Reflective Thinking Skills | Management: Strategy | Dierdorff & Rubin: Managing strategy & innovation | Bloom: Application

44. The three parts of the external environment which affect a firm's strategic actions are
- a. economic, political, and legal.
 - b. general, industry, and competitor.
 - c. industry, business, and product.
 - d. local, national, and global.

ANSWER: b

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 38

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing decision-making processes | Bloom: Knowledge

45. The _____ environment is composed of dimensions in the broader society that can influence an industry and the firms within it.
- a. general
 - b. competitor
 - c. sociocultural
 - d. industry

ANSWER: a

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 38

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Knowledge

46. The environmental segments that make up the general environment typically will NOT include
- a. demographic factors.
 - b. sociocultural factors.
 - c. substitute products or services.
 - d. technological factors.

ANSWER: c

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 38
39 (Table 2.1)

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Knowledge

47. Aardvark Corp. has three products. Two products together make up two-thirds of revenues and constitute 50 percent of company profits. Aardvark's third product makes up one-third of sales. With profitability far above the industry average, this product is responsible for one-half of Aardvark's profits. Which of the following statements regarding assessment of the general environment is accurate for Aardvark?
- a. The company should monitor the general environment for changes that might affect the revenue of all products.
 - b. The company should monitor the general environment for changes that might affect the profitability of the most profitable products.
 - c. The company should monitor the general environment for changes that might affect the profitability of all products.
 - d. The company should monitor the general environment for changes that might affect the revenue and profitability of all products.

ANSWER: d

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 40

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Reflective Thinking Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

48. Which of the following is NOT an activity used in the external environmental analysis process?

- a. scanning
- b. decrypting
- c. monitoring
- d. assessing

ANSWER: b

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 40

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing decision-making processes | Bloom: Knowledge

49. Environmental scanning would be most important for which of the following organizations?

- a. a provider of hospice services for the terminally ill
- b. a web design company catering to small businesses
- c. a neighborhood sewer and water utility
- d. a manufacturer of household linens

ANSWER: b

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 41–42

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing decision-making processes | Bloom: Application

50. The use of the Internet by Netflix to collect data on customer preferences is an example of

- a. assessing.
- b. monitoring.
- c. forecasting.
- d. scanning.

ANSWER: d

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 41–42

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Ethics | Management: Ethical Responsibilities | Dierdorff & Rubin: Managing the task environment | Bloom: Application

51. When analysts develop feasible projections of future events and how quickly they will occur based on observed changes and trends, they are engaged in
- a. scanning.
 - b. monitoring.
 - c. forecasting.
 - d. assessing.

ANSWER: c

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 42–43

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing decision-making processes | Bloom: Knowledge

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

ANSWER: a

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 38–40

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing decision-making processes | Bloom: Comprehension

53. In analyzing the demographic segment of the general environment, one typically examines all of the following factors EXCEPT
- a. age structure.
 - b. ethnic mix.
 - c. distribution of income.
 - d. cultural values.

ANSWER: d

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 40 (Table 2.1)
43–46

54. Which of the following, identified in an analysis of the general environment, is an opportunity for an entrepreneur who wishes to open a business providing "Fitness for Life" physical conditioning services (strength, balance, and flexibility training) in a city of 100,000 people?
- a. The average age of the population in his community is high.
 - b. The level of unemployment in his community is high.
 - c. A chiropractor and two independent physical therapists are located in his community.
 - d. The average education level of the population in his community is low.

ANSWER: a

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 40, 43–44

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing strategy & innovation | Bloom: Application

55. An analysis of income distribution would include all of the following EXCEPT
- a. the purchasing power of various age groups.
 - b. the discretionary income of various ethnic groups.
 - c. wage differentials between male and female employees working for a large manufacturer.
 - d. how income is distributed among regions of the United States.

ANSWER: c

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 45–46

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

56. Demographic changes include variations in income distribution. Which of the following statements is true?
- a. Firms are most interested in the consumers in the top 10 percent of household income.
 - b. In general, living standards have deteriorated over time.
 - c. The general loss in real income has been somewhat offset by the increase in dual-career couples.
 - d. Workforce diversity is making the concept of average income obsolete.

ANSWER: c

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 45

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Knowledge

57. The Obama administration sought to pursue policies that would
- remove the United States from NAFTA.
 - abolish antitrust laws.
 - increase the amount of work U.S. companies outsource to firms in other nations.
 - reduce the amount of work U.S. companies outsource to firms in other nations.

ANSWER: d

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 46–47

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Multicultural & Diversity | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

58. An analysis of the economic segment of the external environment would include all of the following EXCEPT
- interest rates.
 - trade deficits or surpluses.
 - inflation rates.
 - income distribution.

ANSWER: d

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 46
40 (Table 2.1)

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

59. Characteristics of the current economic segment include all of the following EXCEPT
- general uncertainty.
 - a clear understanding of future economic opportunities and threats.
 - the inability of economists to provide valid and reliable predictions.
 - an expanding economy in Vietnam.

ANSWER: b

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 46

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

60. The economic environment refers to
- a. the nature and direction of the economy in which a firm competes or may compete.
 - 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 the U.S. economy.

ANSWER: a

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 46

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

61. Which of the following would NOT be identified in an analysis of the economic portion of the general environment?
- a. the willingness of Chrysler's buyers to purchase large vehicles in light of an increase in oil prices
 - b. the ability of Ford to issue new debt in light of its recent financial performance
 - c. the ability of BMW's buyers to finance car purchases in light of a change in interest rates
 - d. the willingness of GM buyers to purchase new vehicles in light of the threat of recession

ANSWER: b

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 46

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

62. The political/legal segment of an environment represents
- a. the political preferences of different ethnic groups in the society.
 - b. the technological values of different political entities in society.
 - c. how organizations and governments mutually try to influence each other.
 - d. the system of regulations governments at all levels place on businesses.

ANSWER: c

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 46-47

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Legal Responsibilities | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

63. All of the following are aspects of the political/legal segment of the general environment EXCEPT
- a. lobby groups.
 - b. attitudes and values.
 - c. taxation laws.
 - d. industries chosen for deregulation.

ANSWER: b

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 46-47

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

64. An analysis of society's attitudes and values would be conducted when studying the _____ segment of the general environment.
- a. sociocultural
 - b. global
 - c. demographic
 - d. economic

ANSWER: a

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 47-48

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

65. In a suburban community outside a city in Alabama, a retail store opened that specialized in dancewear for children and adults. It was moderately successful for five years until the local newspaper published an exposé that scanty lingerie stocked in the back of the store's showroom was selling briskly to a certain clientele. Afterward, the store lost most of its customers and nearly closed. Which segment of the environment did the store owners fail to take into account when they began selling the lingerie?
- a. the sociocultural segment
 - b. the economic segment
 - c. the demographic segment
 - d. the political/legal segment

ANSWER: a

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 47-48

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Reflective Thinking Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Application

66. 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.

ANSWER: a

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 48–49

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

67. 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

ANSWER: c

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 48

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Knowledge

68. The next critical technological opportunity for organizations is predicted to be
- a. the Internet.
 - b. multiphasic interventions.
 - c. biological engineering.
 - d. wireless communications.

ANSWER: d

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 49

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Information Technology | Management: Information Technology | Dierdorff & Rubin: Managing the task environment | Bloom: Knowledge

69. Which of the following would be an example of the application of the next major technological opportunity for organizations?
- a. Boeing's Dreamliner
 - b. Toyota's hybrid vehicles
 - c. Philip Morris International's smokeless tobacco
 - d. Amazon's Kindle

ANSWER: d

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 49

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Information Technology | Management: Information Technology | Dierdorff & Rubin: Managing the task environment | Bloom: Knowledge

70. The observation that China, despite a 37 percent surge in car sales in 2010, is expected to reach production overcapacity by 2015 and have a glut of extra cars, is an aspect of the _____ segment of the general environment.
- a. demographic
 - b. global
 - c. physical
 - d. technological

ANSWER: b

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 49

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Application

71. Because of threats and risks in the global environment, some firms choose to take a more cautious approach by
- a. avoiding global markets altogether.
 - b. expanding only to developed countries.
 - c. focusing on global niche markets.
 - d. acquiring already established firms in foreign markets.

ANSWER: c

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 50

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Knowledge

72. The concepts of *Guanxi*, *Wa*, and *Inhwa* all convey the general idea of
- entrepreneurial risk-taking.
 - interpersonal relationships.
 - the value of hard work.
 - personal achievement.

ANSWER: b

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 48

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Multicultural & Diversity | Management: Group Dynamics | Dierdorff & Rubin: Interpersonal orientation | Bloom: Knowledge

73. Global warming and energy consumption trends are aspects of the _____ segment of the general environment that firms should monitor.
- technological
 - physical
 - sociocultural
 - economic

ANSWER: b

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 50–52

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

74. Green restaurant design, sustainable packaging, waste management, and energy efficiency are aspects of the _____ segment of the general environment that McDonald's has sought to address (Chapter 2 Strategic Focus).
- technological
 - political/legal
 - global
 - physical

ANSWER: d

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 50

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

75. All of the following are examples of efforts by firms to address the physical segment of the general
- a. development of sustainable packaging by McDonald's.
 - b. reduction in carbon dioxide emissions by Procter & Gamble.
 - c. reduction in water usage in plants by Unilever.
 - d. increase in hiring of women and minorities at Microsoft.

ANSWER: d

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 50-51

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Application

76. One popular approach to taking care of the physical environment is
- a. producing and selling additional green products.
 - b. lobbying the government to reduce environmental regulations.
 - c. making donations to the Sierra Club and other environmental organizations.
 - d. increasing health benefits for employees.

ANSWER: a

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 50

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Application

77. An industry is defined as
- a. a group of firms producing the same products or services.
 - b. firms producing items that sell through the same distribution channels.
 - c. firms that sell the same products or services to the same customer base.
 - d. a group of firms producing products that are close substitutes.

ANSWER: d

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 52

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Knowledge

78. The likelihood of entry of new competitors is affected by _____ and
- a. barriers to entry; expected retaliation of current industry organizations.
 - b. the power of existing suppliers; buyers.
 - c. the profitability of the industry; the market share of its leading firm.
 - d. the demand for the product; the profitability of the competitors.

ANSWER: a

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 53

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

79. Which of the following is NOT an entry barrier to an industry?
- a. expected competitor retaliation
 - b. economies of scale
 - c. customer product loyalty
 - d. bargaining power of suppliers

ANSWER: d

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 53-55

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

80. New entrants to an industry are more likely when
- a. it is difficult to gain access to distribution channels.
 - 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.

ANSWER: c

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 54

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

81. Economies of scale refers 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. quantity of product produced in a given time period decreases, the cost of manufacturing each unit decreases.

ANSWER: c

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 53–54

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Knowledge

82. The large amount of advertising by firms such as Procter & Gamble and Colgate-Palmolive is an example of what kind of barrier to entry?

- a. access to distribution channels
- b. capital requirements
- c. economies of scale
- d. product differentiation

ANSWER: d

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 54

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

83. Product differentiation refers to the

- a. ability of the buyer 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.

ANSWER: c

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 54

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Strategy | Dierdorff & Rubin: Managing strategy & innovation | Bloom: Comprehension

84. When consumers change phone service providers they are frequently required to maintain service with the provider for a specified time period. This is an example of a
- a. cost to a producer to exchange equipment in a facility when new technologies emerge.
 - b. cost of changing the firm's strategic group.
 - c. one-time cost suppliers incur when selling to a different customer.
 - d. one-time cost customers incur when buying from a different supplier.

ANSWER: d

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 54

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

85. Customer loyalty programs such as airline frequent-flyer miles are an attempt to
- a. decrease competitors' access to distribution channels.
 - b. develop a cost advantage independent of scale.
 - c. increase customers' switching costs.
 - d. overcome the perishability of the hotel "product."

ANSWER: c

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 54-55

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

86. As customers come to believe that a firm's product is unique, this allows the firm to
- a. decrease its advertising expenditures.
 - b. customize its product.
 - c. force other companies out of the market by lowering prices.
 - d. obtain loyal customers.

ANSWER: d

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 54

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

87. DWK Foods has developed a line of cookies and candies sweetened exclusively with organic honey. Although DWK is selling some of the products over the Internet, in order to gain economies of scale the products must be sold in retail outlets. The main barrier to entry DWK is likely to encounter here is
- a. government licensing and permits.
 - b. access to distribution channels.
 - c. consumers' switching costs.
 - d. cost disadvantages independent of scale.

ANSWER: b

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 55

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Application

88. For a retail business dependent on drive-in customers, the major cost disadvantage independent of scale would be if
- a. favorable locations are not available.
 - b. other competitors have proprietary product technology.
 - c. access to raw materials is difficult.
 - d. other competitors have government subsidies.

ANSWER: a

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 55

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Application

89. A certain marble quarry provides a unique type of marble that is richly colored and strikingly veined. It has been used for churches and public buildings throughout the world. The architect of a new headquarters for a prestigious Fortune 500 firm has specified the use of this marble, and this marble only, for this project. Which of the following statements is most likely to be true?
- a. The cost of the marble will be expensive because of the bargaining power of the supplier.
 - b. The cost of the marble will be moderate because of the bargaining power of the buyer.
 - c. The cost of the marble will be moderate because of economies of scale.
 - d. The cost of the marble will be expensive because of the high strategic stakes involved.

ANSWER: a

POINTS: DIFFICULTY: 1

REFERENCES: LEARNING Medium

OBJECTIVES: NOTES: 56

STMA.HITT.13. - 1.4

AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Application

90. Suppliers are powerful when
- a. satisfactory substitutes are available.
 - b. they sell a commodity product.
 - c. they offer a credible threat of forward integration.
 - d. they are in a highly fragmented industry.

ANSWER: c

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 56

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

91. How is consolidation among fuel providers serving airport facilities viewed in the five forces model of competition?
- a. as a reduction of the airlines' ability to benefit from economies of scale.
 - b. as an increase in switching costs because the airlines have no choice but to use jet fuel and other oil products.
 - c. as an increase in the bargaining power of suppliers of a critical input.
 - d. as an increase in the intensity of rivalry among airlines for scarce resources.

ANSWER: c

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 56

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Application

92. Blood banks are highly dependent on donors. In the terminology of industry analysis, which statement of donors is accurate?
- a. Blood donors are suppliers and are powerful because of the critical nature of what they provide to the blood bank.
 - b. Blood donors are suppliers and are powerful because of their concentration relative to the blood bank.
 - c. Blood donors are buyers and are not powerful because switching costs to change to alternative inputs are low.
 - d. Blood donors are buyers and are powerful because of the volume of blood needed.

ANSWER: a

POINTS: DIFFICULTY: 1

REFERENCES: LEARNING Medium

OBJECTIVES: NOTES: 56

STMA.HITT.13. - 1.4

AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Application

93. The aircraft industry has long been dominated by two large aircraft manufacturers, Boeing and Airbus. The demand for major aircraft is low, and Boeing and Airbus aggressively compete for orders from airlines. What effect will these conditions have on the domestic airline industry?
- a. It will make the airline industry more attractive because of decreased supplier power.
 - b. It will make the airline industry less attractive because of decreased supplier power.
 - c. It will make the airline industry more attractive because of increased supplier power.
 - d. It will make the airline industry more attractive because of a new entrant.

ANSWER: a

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 56

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

94. Golden Lotus, an exercise club targeting healthy individuals over 50, is located in a fast-growing city in the Southwest. Which of the following factors that may have an effect on the success of Golden Lotus is the most directly controllable by the company?
- a. the sociocultural environment
 - b. the demographics of the environment
 - c. the economy of the local area
 - d. the power of the customers/buyers

ANSWER: d

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 56–57

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Application

95. Buyers are powerful when
- a. there is a threat of forward integration.
 - b. they purchase a small proportion of the supplier's output.
 - c. switching costs are low.
 - d. the buyers' industry is fragmented.

ANSWER: c

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 56

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

96. The highest amount a firm can charge for its products is most directly affected by
- a. expected retaliation from competitors.
 - b. the cost of substitute products.
 - c. variable costs of production.
 - d. customers' high switching costs.

ANSWER: b

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 57

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

97. 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.

ANSWER: b

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 57

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

98. Media content has moved from paper, tape, and film to a digital world based on Internet technology. From the perspective of the five forces model, which force is most relevant here?
- a. buyers
 - b. substitutes
 - c. entry barriers
 - d. suppliers

ANSWER: b

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 57

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Application

99. All of the following are forces that create high rivalry within an industry EXCEPT

- a. numerous or equally balanced competitors.
- b. high fixed costs.
- c. fast industry growth.
- d. high storage costs.

ANSWER: c

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 57-59

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Knowledge

100. High-level maintenance on aircraft is performed by the manufacturer. This service after the sale means that in the aircraft industry

- a. customers are relatively weak because of the high switching costs created by frequent-flyer programs.
- b. the industry is moving toward differentiation of services.
- c. the competitive rivalry in the industry is severe.
- d. the economic segment of the external environment has shifted, but airline strategies have not changed.

ANSWER: c

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 57

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

101. A manufacturer of washing machines has expanded its plant and has created excess capacity, just as the general economy has taken a downturn. The company is likely to

- a. raise prices on washing machines to offset lost sales.
- b. be vulnerable to new entrants to an attractive market.
- c. suffer from intense rivalry from international manufacturers.
- d. offer rebates and incentives for customers who purchase washing machines.

ANSWER: d

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 57

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Application

102. When rival firms compete aggressively by trying to attract competitors' customers, this might be an indication of
- a. an industry with low exit barriers.
 - b. increasing economies of scale.
 - c. slow industry growth.
 - d. high bargaining power among buyers.

ANSWER: c

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 57

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

103. Mighty Green, a residential lawn chemical manufacturer, is committed to gaining market share in its industry. Mighty Green
- a. is likely to raise the level of competitive rivalry in the industry.
 - b. probably has top management who are affected by emotional barriers to exit.
 - c. has decided that long-run above-average returns are not important.
 - d. will probably embark on an acquisition strategy.

ANSWER: a

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 57

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Application

104. Which of the following explains, in part, why rivalry among McDonald's, Wendy's, and Burger King is intense?
- a. There is low geographic saturation of the market.
 - b. There is high differentiation among competing products.
 - c. The threat of supplier forward integration is low.
 - d. These companies are trying to find ways to differentiate their products.

ANSWER: d

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 58

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

105. Circuit Corp. is a manufacturer of a broad range of consumer electronics products. These consumer products are all highly profitable. The firm also manufactures a low-cost component which is an essential differentiating feature for most of its consumer products. The costs to manufacture this component have risen sharply in recent months. Internal cost accounting estimates now indicate the company is breaking even on the manufacture of this component. Which of the following is most likely?
- a. Circuit will likely continue to manufacture the component, even at a loss, due to low supplier power.
 - b. Circuit will likely continue to manufacture the component, even at a loss, due to high strategic stakes.
 - c. Circuit will likely discontinue manufacture of the component due to low strategic stakes.
 - d. Circuit will likely discontinue manufacture of the component due to high supplier stakes.

ANSWER: b

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 58–59

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Reflective Thinking Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

106. Exit barriers to a firm include all of the following EXCEPT
- a. generic assets.
 - b. loyalty to employees.
 - c. governmental concern about job loss.
 - d. restrictive labor agreements.

ANSWER: a

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 59

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Knowledge

107. An owner of a stable of racehorses has been earning below-average returns for more than 15 years. To a colleague, he expressed his determination to stay in horse racing until he died because "racing is in my blood." This individual is probably still racing horses because of
- a. high barriers to exit.
 - b. high switching costs.
 - c. high fixed costs.
 - d. low levels of competitive rivalry.

ANSWER: a

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 59

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Application

108. According to the five forces model, an attractive industry would have all of the following characteristics EXCEPT
- a. low barriers to entry.
 - b. suppliers and buyers with little bargaining power.
 - c. a moderate degree of rivalry among competitors.
 - d. few good product substitutes.

ANSWER: a

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 53

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

109. According to the five forces model, an unattractive industry would include all of the following characteristics EXCEPT
- a. low economies of scale needed for new firms to enter.
 - b. low supplier power due to commodity inputs.
 - c. high threat of substitute products due to a large number of low-cost alternatives.
 - d. high bargaining power of buyers due to low switching costs.

ANSWER: b

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 56

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

110. The competition within each strategic group is
- a. more intense than is the competition between strategic groups.
 - b. less intense than is the competition between strategic groups.
 - c. typically very low.
 - d. an unknown factor in the analysis of competitive practices within a firm's strategic group.

ANSWER: a

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 60

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

111. Firms within strategic groups

- a. follow dissimilar strategies.
- b. follow similar strategies across certain dimensions.
- c. typically engage in greater intergroup rivalry than intragroup rivalry.
- d. exist almost exclusively in the manufacturing sector.

ANSWER: b

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 60

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

112. All of the following are implications of strategic groups EXCEPT

- a. the strength of the five forces differs across strategic groups.
- b. the strength of the five forces is the same across strategic groups.
- c. competitive rivalry within strategic groups is greater than between strategic groups.
- d. the closer the strategic groups are in terms of strategies, the greater is the likelihood of rivalry.

ANSWER: b

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 60

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

113. Competitor analysis focuses on

- a. firms with which the company competes directly.
- b. firms that produce products that are substitutes.
- c. all firms in the industry.
- d. companies that might enter the industry.

ANSWER: a

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 60–1

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

114. Which of the following pairs of companies would be least likely to be examined together as part of competitive analysis?
- a. Wendy's and Taco Bell
 - b. Sony and Apple
 - c. Dell and Microsoft
 - d. Coca-Cola and PepsiCo

ANSWER: c

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 60–63

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

115. Competitor intelligence is
- a. legally or illegally gained data about competitors' internal strategic processes and competitive decisions.
 - b. strategic information gained from industrial espionage targeting international competitors.
 - c. the data that the firm gathers to understand competitors' objectives, strategies, assumptions, and capabilities.
 - d. illegal to gather under the Sarbanes-Oxley Act.

ANSWER: c

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 62–3

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Knowledge

116. Once a firm has determined its competitors' future objectives, current strategy, assumptions, and strengths and weaknesses, its next step is to develop
- a. an environmental assessment.
 - b. a marketing plan.
 - c. a response profile.
 - d. a task force to implement the plan.

ANSWER: c

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 62–63

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Knowledge

117. A competitor analysis includes all of the following about competitors EXCEPT

- a. future objectives.
- b. current strategy.
- c. assumptions.
- d. traditions.

ANSWER: d

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 62–63

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

118. Clarissa is a sales representative for a large pharmaceutical firm. While calling on one of her major clients, the purchasing director of a hospital, the client told her confidential information that a sales representative from a competing firm had passed on to him. The information completely contradicts Clarissa's firm's understanding of the competitor's business strategy, and would allow Clarissa's employer to gain many of the competitor's clients. What ethical implications may result from this situation?

- a. There is no ethical or legal concern here for Clarissa.
- b. The ethical dilemma is not Clarissa's but her client's, since he passed on confidential information to her voluntarily.
- c. The ethical dilemma here is the right of competitors not to reveal certain information.
- d. This is an example of ethical competitor intelligence obtained as eavesdropping.

ANSWER: c

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 63-64

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Reflective Thinking Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Application

119. All of the following are ethical sources of data for external analysis EXCEPT

- a. trade shows.
- b. a competitor's annual reports.
- c. a competitor's help-wanted advertisements.
- d. a competitor's confidential memos.

ANSWER: d

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 63-64

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Ethics | Management: Ethical Responsibilities | Dierdorff & Rubin: Managing the task environment | Bloom: Knowledge

120. Competitor intelligence could ethically come from all of the following EXCEPT

- a. court records.
- b. financial reports.
- c. trade show discussions.
- d. eavesdropping.

ANSWER: d

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 63-64

LEARNING OBJECTIVES: STMA.HITT.13.Knowledge - Application

NOTES: AACSB: Ethics | Management: Ethical Responsibilities | Dierdorff & Rubin:
Managing the task environment | Bloom: Knowledge

121. Which of the following represents a competitive intelligence practice that is both legal and ethical?

- a. A firm hires a competitor's employees and asks them to share the names and addresses of business contacts from their previous company.
- b. An executive attends a trade show solely to obtain a competitor's brochures, listen to sales pitches, and ask questions about the competitor's products.
- c. A city council member shares information about the decision process for selecting a contractor to build a new library wing with his wife, an executive with a construction firm bidding on the contract.
- d. A marketing manager at Smith-Phillips, Inc., sells confidential plans for the company's expansion into the Far East to a firm that is not a direct competitor.

ANSWER: b

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 63

LEARNING OBJECTIVES: STMA.HITT.13. - 1.4

NOTES: AACSB: Ethics | Management: Ethical Responsibilities | Dierdorff & Rubin:
Managing the task environment | Bloom: Application

122. Which of the following intelligence-gathering techniques is most likely to be legal and ethical?

- a. hiring investigators to examine the competitor's trash
- b. entering a competitor's production plant without authorization
- c. redirecting a competitor's emails to one's own company
- d. attending trade show presentations given by a competitor's employees

ANSWER: d

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 63

LEARNING OBJECTIVES: STMA.HITT.13.Comprehension - Comprehension

NOTES: AACSB: Ethics | Management: Ethical Responsibilities | Dierdorff & Rubin:
Managing the task environment | Bloom: Comprehension

123. The U.S. Hispanic market is the third-largest "Latin American" economy behind Brazil and Mexico. This impacts the _____ aspect of demographic segment analysis.
- a. age structure
 - b. geographic distribution
 - c. income distribution
 - d. ethnic mix

ANSWER: d

POINTS: 1

NOTES: AACSB: Analytic | DISC:Environmental Influence | Bloom: Knowledge

124. New Jersey and New York have the highest state taxes in the United States. They also have high ratios of people moving out compared to people moving into the state. This impacts the _____ aspect of demographic analysis.
- a. age structure
 - b. geographic distribution
 - c. income distribution
 - d. ethnic mix

ANSWER: b

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 44–45

NOTES: AACSB: Analytic | DISC:Environmental Influence | Bloom: Knowledge

125. The communications industry is broadly defined as encompassing all of the following EXCEPT
- a. media companies.
 - b. smartphone producers.
 - c. book retailers.
 - d. entertainment companies.

ANSWER: c

POINTS: 1

REFERENCES: 49

NOTES: AACSB: Analytic | DISC:Environmental Influence | Bloom: Knowledge

126. The Department of Defense buys aircraft from U.S. companies for national security reasons. This is an example of a _____ barrier to entry.
- a. cost disadvantage independent of scale
 - b. government policy
 - c. capital requirements
 - d. product differentiation

ANSWER: b

POINTS: 1

REFERENCES: 55

NOTES: AACSB: Analytic | DISC:Environmental Influence | Bloom: Knowledge

127. After Amazon lowered the price on Kindle e-readers, Sony eventually lowered the price on its Reader. Sony needed to do this because
- a. it is in the same strategic group.
 - b. it is outside the strategic group.
 - c. of inter-strategic group competition.
 - d. of strategic distinctiveness.

ANSWER: a

POINTS: 1

REFERENCES: 60

NOTES: AACSB: Analytic | DISC:Environmental Influence | Bloom: Knowledge

128. Applications developed for iPhones make the phone more valuable to iPhone users. App developers are _____ to Apple.
- a. suppliers
 - b. customers
 - c. competitors
 - d. complementors

ANSWER: d

POINTS: 1

REFERENCES: 63

NOTES: AACSB: Analytic | DISC:Environmental Influence | Bloom: Knowledge

129. Counterfeiting goods and exporting them from China is
- a. ethical and legal.
 - b. unethical but legal.
 - c. ethical but illegal.
 - d. unethical and illegal.

ANSWER: d

POINTS: 1

REFERENCES: 57, 63–64

NOTES: AACSB: Analytic | DISC:Environmental Influence | Bloom: Knowledge

Subjective Short Answer

Case Scenario 1: The Boys and Girls Clubs.

The Boys and Girls Clubs (BGC) is a national non-profit organization geared toward providing America's youth with the tools and skills they need to become healthy adults, responsible citizens, and effective leaders. By bringing parents, neighbors, educators, and civic leaders together with our youth, BGC believes it can instill these crucial life lessons at an age when they're most needed. The national organization is headquartered in Atlanta, GA, and serves as a service hub for over 3,700 club locations around the United States. Each local club is directed by a volunteer board of directors and staffed by professional youth development workers (usually including an executive director, a program director, and an arts director) and many volunteers who just enjoy working with young people and want to make a difference in their lives. While affiliated with the national center, each local BGC is locally funded.

130. (Refer to Case Scenario 1). How are the various facets of the general environment (Table 2.1 in *Strategic Management*) likely to be important for BGC?

ANSWER: The best answers will begin by noting that BGC has a mission focused on the education and social development of needy youth. Thus, the demographic, economic, sociocultural, and physical segments may be the segments of primary importance. Within the physical segment, for instance, BGC may consider what it can do to respond to climate change and depletion of energy resources. The global segment is also a natural discussion point since contexts far from home may not come to our attention until after a critical stage has been passed. For instance, the presence of immigrants and refugees in a community may affect the needs of BGC's clientele.

POINTS: 1

REFERENCES: 39, 40

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Application

131. (Refer to Case Scenario 1). Why would attention focused on victims of natural disasters be a threat to BGC?

ANSWER: The best answers will observe that BGC is entirely dependent upon local donations for its operations, and public focus on other causes will likely draw away donation dollars that had been historically earmarked for BGC. This alternative charitable giving serves donors as a substitute for donations to BGC.

POINTS: 1

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Application

132. (Refer to Case Scenario 1). How might BGC respond to threats to its donations at both local and national levels?

ANSWER: Since BGC is governed locally by a board of directors drawn from the community, the local organizations should use these members to rally support against their dwindling donation base. The board and BGC staff members can also reach out to other local organizations and community governments. At a national level, image ads and the lobbying of various national organizations (government, teachers' associations, minority outreach organizations, environmental groups, etc.) can be initiated and managed through the BGC headquarters in Atlanta.

POINTS: 1

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Strategy | Dierdorff & Rubin: Managing strategy & innovation | Bloom: Application

133. (Refer to Case Scenario 1). The purpose of the Boys and Girls Clubs (BGC) is to instill in youth the tools and skills needed to become healthy adults, responsible citizens, and effective leaders. If BGC were to initiate programs about women's issues, women in the workforce, workforce diversity, and changes in work and career preferences, it would be contributing to an understanding of which segment of the general environment?

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

ANSWER: B. Sociocultural

POINTS: 1

DIFFICULTY: Hard

REFERENCES: 40 (Table 2.1)

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Application

Case Scenario 2: B.B. Mangler.

B.B. Mangler is a top U.S. business-to-business distributor of maintenance, repair, and service equipment, components, and supplies such as compressors, motors, signs, lighting and welding equipment, and hand and power tools. Its industry is typically referred to as MRO, an acronym for maintenance, repair, and supplies. MRO products are typically small and fairly inexpensive (such as light bulbs and washers), but often needed on short notice. Mangler states its strategy as having the "capacity to offer an unmatched breadth of lowest-total-cost MRO solutions to business." Mangler's GoMRO sourcing center for indirect spot buys locates products through its database of 8,000 suppliers and 5 million products. Mangler has 388 physical branches in the United States, including Puerto Rico (90 percent of sales), 184 in Canada, and 5 in Mexico. Customers include contractors, service and maintenance shops, manufacturers, hotels, governments, and health care and educational facilities. Mangler also provides materials-management consulting services.

134. (Refer to Case Scenario 2). Historically, Mangler appears to have relied on its physical locations for market presence in the United States and northern South America. What threats does the Internet pose to its location-based strategy?

ANSWER: The best answers will start by noting that Mangler's location-based strategy is also likely to require quite a bit of investment in inventory (keeping all those parts on hand at each of its branches in the United States, Canada, and Mexico). Given that it competes in a low-cost industry, and itself competes on cost, an Internet-based MRO competitor may be able to create an even lower cost structure (as Amazon.com did with books). The Internet seems like a natural fit for the MRO market. Such an online strategy may be particularly effective for those MRO items that are less time-critical.

POINTS: 1

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Application

135. (Refer to Case Scenario 2). What opportunities does the Internet provide to Mangler, both domestically and internationally?

ANSWER: Answers to this question should suggest several different responses to the ways in which Mangler could capitalize on the Internet domestically. The best answers for the international strategy question will begin by noting that just as Mangler's many domestic locations provide a barrier to entry in its markets by potential competitors (that is, it already has the market share to cover its high physical location costs and also is likely to have tremendous goodwill), so too have they been a barrier against Mangler's entry into other international markets such as Europe, Asia, and other parts of Latin America. The Internet does away with this barrier to a great extent, which levels the playing field between Mangler and the incumbents of those respective international markets.

POINTS: 1

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Application

136. (Refer to Case Scenario 2). How should Mangler respond to the threat of new Internet-based entrants?

ANSWER: There are several possible avenues, and the best answers will note these alternatives. The most obvious response would be for Mangler to start up a web-based complement to its location-based delivery system. A related response might involve the centralization of low-demand, high-cost items to specific areas of the country, where they could then be funneled rapidly to the actual local outlets using the Internet as an internal market. Finally, Mangler could hedge this threat by investing in the most promising online rivals.

POINTS: 1

NOTES: AACSB: Reflective Thinking Skills | Management: Strategy | Dierdorff & Rubin: Managing strategy & innovation | Bloom: Application

Case Scenario 3: Barracuda Inc.

Barracuda Inc. is a lamp-fixture manufacturer that is considering an entry strategy into the U.S. home-furnishings manufacturing industry. The existing landscape consists of many players but none with a controlling share. There are currently 2,500 home furnishings firms, and only 600 of those have more than 15 employees. Average net profit after tax is between 4 and 5 percent. While the industry still primarily comprises single-business, family-run firms that manufacture furniture domestically, imports are increasing at a fairly rapid rate. Some of the European imports are leaders in contemporary design. Relatively large established firms are also diversifying into the home-furnishings industry via acquisition. Supplier firms to the home-furnishings industry are in relatively concentrated industries (such as lumber, steel, and textiles). Retailers, the intermediate customer of the home-furnishings industry, have been traditionally very fragmented. Customers have many products to choose from, at many different price points, and few home-furnishing products have strong brands. Also, customers can switch easily among high- and low-priced furniture and other discretionary expenditures (spanning big-screen TVs to the choice of postponing any furniture purchase entirely).

137. (Refer to Case Scenario 3). Using the five-forces framework, summarize the opportunities and threats facing Barracuda as it considers entry into the home-furnishings manufacturing industry. Which threats are greatest to current incumbents?

ANSWER: The best answers will be based on an application of the five forces model to the scenario. From this model students should be able to point out that the most significant threats are the power of consumers, lack of economic power with suppliers, and increasing presence of imports. These characteristics plus the highly fragmented nature of the industry itself are likely to translate into near-perfect competition, leaving no single player with a clear advantage. Opportunities may exist in particular niches, depending on the internal strengths of new entrants. In terms of the larger market, there appears to be an opportunity for a large firm to consolidate the industry and add brand power, thereby potentially gaining power over suppliers and customers.

POINTS: 1

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Application

138. (Refer to Case Scenario 3). How intense is competitive rivalry likely to be among incumbents of the home-furnishings manufacturing industry?

ANSWER: The best answers will be able to walk through the determinants of rivalry spelled out in pages 57 through 59. The fact that this industry is fairly characterized as having nearly perfect competition suggests that rivalry is high. Larger players are likely to have significant exit barriers, particularly given the slow growth, high fixed costs, lack of differentiation, and low profitability of the market overall. Thus, new larger entrants to this industry may further escalate the degree of competition.

POINTS: 1

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Application

139. (Refer to Case Scenario 3). Is the furniture industry described above attractive?

ANSWER: Astute students may begin by noting that this industry is attractive if you are in a position that is currently less attractive than that demonstrated by the home-furnishings business. Beyond that, discussion should generally lead to the recognition that this industry is currently unattractive – summarized by its paltry profit margins, fragmented membership, lack of power over suppliers and customers, and high degree of rivalry.

POINTS: 1

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Application

Essay

140. Explain why it is important for organizations to analyze and understand the external environment.

ANSWER: Organizations do not exist in isolation. The external environment of the organization presents threats and opportunities which the organization must address in its strategic actions. Some aspects of the organization's external environment are changing rapidly, such as technology, and the organization must constantly adjust to these changes. The information that the organization gathers about competitors, customers, and stakeholders is used to build the organization's capabilities or to build relationships with stakeholders in the external environment. The information that the organization gathers about the external environment must be matched with its knowledge of its internal environment to form its vision, to develop its mission, and to take actions that result in strategic competitiveness and above-average returns.

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 40–43

LEARNING OBJECTIVES: STMA.HITT.13.2-01 - 2-01

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Synthesis

141. Identify and describe the three major parts of the external environment. What is the purpose for a firm to collect information about these aspects of its environment?

ANSWER: The external environment has three major parts. The first is the *general environment*, which is composed of dimensions in the broader society that affect industries and their firms. These environmental segments are: demographic, economic, political/legal, sociocultural, technological, and global. The second part of the external environment is the *industry environment*, which involves five factors that influence a firm, its competitive actions and responses, and the industry's profit potential. These five factors are: the threat of new entrants, the power of suppliers, the power of buyers, the threat of product substitutes, and the intensity of rivalry among competitors. The *competitor environment* is the third part of the external environment. The firm must be able to predict competitors' actions, responses, and intentions. With the information collected about these aspects of its external environment, the firm can develop its vision, mission, and strategic actions.

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 40–43

LEARNING OBJECTIVES: STMA.HITT.15.2-02 - 02.02

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Evaluation

142. Describe and discuss the four activities of the external environmental analysis process.

ANSWER: The external environmental analysis process includes four steps: scanning, monitoring, forecasting, and assessing. The *scanning* of the environment includes the study of all segments of the general environment in order to detect changes that may occur in the future or that already are occurring. This is critical in a volatile environment. Scanning often deals with ambiguous, incomplete, or unconnected data and information. When analysts *monitor* the environment, they observe environmental changes to see if an important trend is emerging from those spotted by scanning. It is critical for the firm to detect meanings in these events and trends so that it can be prepared to take advantage of opportunities these trends provide. *Forecasting* builds on scanning and monitoring to develop feasible projections of what might happen and how quickly it will occur. Forecasting is important in helping the firm adjust sales to meet demand. Finally, through *assessing*, the analyst determines the timing and the significance of the effects of environmental changes and trends on the strategic management of the firm. Assessment must specify the competitive relevance of the data.

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 40-43
41 (Table 2.2)

LEARNING OBJECTIVES: STMA.HITT.13.2-03 - 2-03

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Knowledge

143. Describe the seven segments of the general environment.

ANSWER: 1) The *demographic* segment encompasses factors such as population size, geographic distribution, age structure, ethnic mix, and income distribution. 2) The *economic* segment involves the nature and direction of the economy in which a firm competes or may compete, domestic as well as global. 3) The *political/legal* segment is the arena in which organizations compete for attention, resources, and a voice in laws and regulations guiding the interactions among nations. 4) The *sociocultural* segment is concerned with society's attitudes and cultural values. 5) The *technological* segment includes institutions and activities involved with creating new knowledge and transforming it into new outputs, products, processes, and materials. 6) The *global* segment includes new global markets, existing markets that are changing, international political events, and critical cultural and institutional characteristics of global markets. 7) The *physical* segment includes potential and actual changes in the physical environment (such as global warming) and business practices that are intended to positively deal with those changes (such as control of carbon emissions and other environmentally friendly actions).

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 38-40
40 (Table 2.1)

LEARNING OBJECTIVES: STMA.HITT.13.2-04 - 2-04

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Knowledge

144. Identify the five forces that underlie the five forces model of competition. Explain briefly how they affect industry profit potential.

ANSWER: 1) Threat of *new entrants*: New entrants threaten existing firms' market share. They increase production capacity in an industry which results in lower profits for all firms, unless demand is increasing. The new entrant may force the existing firms to be more effective and efficient in production, and to compete on new dimensions. 2) Power of *suppliers*: Suppliers with high power can increase prices and decrease the quality of their products sold to the firm. If firms are unable to pass along price increases to customers, their profits diminish. 3) Power of *buyers*: When buyers (customers) have high power they can force prices down, and require increases in quality and service levels, thus driving profits down. 4) *Substitutes*: Substitutes perform the same or similar functions of the firm's product. The price of the substitute places an upper limit on prices firms can charge for the original product, limiting industry profits. 5) Intensity of competitive *rivalry* affects the firm's ability to make a profit as competitors' actions challenge the firm or competitors try to improve their market position. Increasing rivalry reduces the ability of weaker firms to survive.

POINTS: 1
DIFFICULTY: Medium
REFERENCES: 52-59

52 (Figure 2.2)

LEARNING OBJECTIVES: STMA.HITT.13.2-05 - 2-05

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

145. Describe the factors that raise the competitive nature of an industry's rivalry.

ANSWER: The competitive rivalry in an industry can be based on price, product quality, and product innovation in an attempt to differentiate the firm's product from its rivals' products. The factors that can increase competitive rivalry include: 1) numerous and equally balanced competitors; 2) slow or no industry growth; 3) high fixed costs, high storage costs of inventory, or perishable products; 3) lack of differentiated products or low cost of product switching by customers; 4) high strategic stakes for the competitors; and 5) high barriers for firms wishing to exit the industry, causing firms to remain in an industry where they cannot reasonably expect to make a profit.

POINTS: 1
DIFFICULTY: Medium
REFERENCES: 57-59

LEARNING OBJECTIVES: STMA.HITT.13.2-05 - 2-05

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

146. What are high exit barriers and how do they affect the competition within an industry?

ANSWER: Exit barriers are economic, strategic, and emotional factors causing companies to remain in an industry, even though the profitability of doing so is in question. The following are common sources of exit barriers: 1) specialized assets which cannot be used in another business or location; 2) fixed costs of exit, such as labor agreements which penalize a firm for ceasing operation; 3) strategic interrelationships or mutual dependence of business units wherein one business of a corporation serves another corporate business; 4) emotional barriers that cause owners to be sentimentally attached to the business or to their own role in it; 5) governmental and social restrictions that prevent a firm from closing, often in order to prevent the loss of jobs in a country or community.

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 59

LEARNING OBJECTIVES: STMA.HITT.13.2-05 - 2-05

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

147. What is a firm's strategic group? What effect does the strategic group have on the firm?

ANSWER: The firm's strategic group is the set of firms that emphasize similar strategic dimensions and use a similar strategy. The firms in a strategic group occupy similar positions in the market, offer similar goods to similar customers, and may make similar decisions about production technology and organizational features. Competition among firms within a strategic group is more intense than the competition among a firm and those firms outside its strategic group. Actions of members in the firm's strategic group affect its strategic decisions in many areas, including pricing, product quality, and distribution.

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 60

LEARNING OBJECTIVES: STMA.HITT.13.2-06 - 2-06

NOTES: AACSB: Business Knowledge & Analytical Skills | Management: Environmental Influence | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

148. What do firms need to know about their competitors? What legal and ethical intelligence-gathering techniques can be used to obtain this information?

ANSWER: Competitor analysis helps firms identify: 1) what drives the competitor by understanding the competitor's *future objectives*; 2) what the competitor is doing and is capable of doing by understanding the competitor's *current strategy*; 3) what the competitor believes about the industry by understanding the *assumptions* made by the competitor; and 4) what the competitor's *capabilities* are by understanding the competitor's strengths and weaknesses. Firms can legally and ethically gather public information, such as annual reports, SEC reports, UCC filings, court records, and advertisements. Firms can also attend trade fairs to obtain competitors' brochures, view exhibits, and discuss products. This data combines to form competitive intelligence.

POINTS: 1

DIFFICULTY: Medium

REFERENCES: 60-62

LEARNING OBJECTIVES: STMA.HITT.13.2-07 - 2-07

NOTES: AACSB: Ethics | Management: Ethical Responsibilities | Dierdorff & Rubin: Managing the task environment | Bloom: Comprehension

149. What are barriers to entry and how do they affect competition in the industry?

ANSWER: Entry barriers discourage competitors from entering a market and facilitate a firm's ability to remain competitive in a market in which it currently competes. Barriers to entry include: 1) **Economies of scale** are derived from incremental efficiency improvements through experience as a firm grows larger. 2) **Product differentiation** occurs when over time, customers may come to believe that a firm's product is unique. This belief can result from the firm's service to the customer, effective advertising campaigns, or being the first to market a product or service. 3) **Capital requirements** – Competing in a new industry requires a firm to have resources to invest. In addition to physical facilities, capital is needed for inventories, marketing activities, and other critical business functions. 4) **Switching costs** are the one-time costs customers incur when they buy from a different supplier. 5) **Access to distribution channels** – Over time, industry participants commonly learn how to effectively distribute their products. Once a relationship with its distributors has been built a firm will nurture it, thus creating switching costs for the distributors. 6) **Cost disadvantages independent of scale** – Sometimes, established competitors have cost advantages that new entrants cannot duplicate. Proprietary product technology, favorable access to raw materials, desirable locations, and government subsidies are examples. 7) **Government policy** – Through their decisions about issues such as the granting of licenses and permits, governments can also control entry into an industry.

POINTS: 1

REFERENCES: 53-56