BA 544
Study Guide Questions

Chapter 1:
001. What is competitive advantage? What is sustainable competitive advantage? (Slide #3)
002. What is strategy? (Be sure to discuss goals, the concept of co-opetition, and tradeoffs.) (Slide #4)
003. What are the similarities and differences in the three classic definitions of strategy by Schelling, Chandler, and Quinn? (Slide #5)
004. What four elements are involved in the strategic management process? (Slide #6)
005. What is our textbook’s definition of strategy? What should the firm seek in its activities? What kinds of commitments are needed? (Slide #7)
006. What are the three key drivers of economic value? (Slide #8)
007. Provide some examples of value (revenue) drivers and cost drivers (Slide #9)
008. Discuss industry vs. firm effects, which tend to be stronger? (Slide #10)
009. Discuss the industry and firm sources of superior profitability. (Slide #11)
100. What is the key question for corporate strategy, business strategy, and functional strategy, respectively? (Slide #12)
101. Provide some examples of corporate-, business-, and functional-level strategy. (Slide #13)
102. What is the “razor blade model?” Provide an example, other than razor blades. (Slide #15)
103. How is the current competition between Google and Microsoft an example of “multi-point competition?” (Slide #16)
104. What evidence is there that technological change is indeed accelerating? (Slide #17)
105. What is meant by “BRIC countries” and a “Bottom of the Pyramid” business model? (Slide #19)
106. What are some industries that deserve attention moving forward (any to add to the list)? (Slide #21)
107. Discuss a stakeholder theory of management. (Slide #22)
108. Provide a list of key internal and external stakeholders. (Slide #23)

Chapter 2:
109. What is the difference between a customer-oriented and a product-oriented mission, and what can be the pitfall of a product-oriented mission? (Slide #2)
110. There can be many goals that firms pursue, provide some examples. (Slide #3)
111. What are some steps and tools used for (top-down) planning? (Slides #4 and #5)
112. What is meant by “scenario planning?” (Slides #6 and #7)
113. How is the Japan Railways an example of “emergent” planning? (Slide #8)
114. What are the differences between “rational decision making” and “satisficing decision making?” (Slides #9, #10, #11, and #12)
What are some systematic biases in decision making? (Slide #13)
What are symptoms of groupthink in planning processes? (Slide #14)
What are two methods to attenuate the problem of groupthink? (Slides #15 and #16)

Chapter 3:

What are the key elements of a PESTEL Framework? (Slides #2 and #3)
What are the characteristics of perfect competition and oligopoly? (Slide #4)
What is the definition of an “efficient market?” (Slide #5)
What three factors impact company performance? (Slide #11)
What is the Structure-Conduct-Performance (S-C-P) Model? (Slides #12 and #13)
What are the 5-Forces? (Slides #14 and #15)
What is the relationship between the S-C-P Model and the 5-Forces? (Lecture)
If 5 Forces is the answer, what is the question? (Lecture)
What is meant by “barriers to entry?” (Slide #16)
What are examples of barriers to entry? (Slides #17-25)
What is meant by economies of scope? (Slides #18 and #19)
What does an 89% learning curve mean? (Slide #20)
What is the difference between intended- and innocent- excess capacity? (Slide #21)
How can reputation for toughness be a barrier to entry? (Slide #22)
Why is product differentiation often an effective barrier to entry? (Slide #22)
How is product differentiation often measured? (Lecture)
Explain how switching costs of buyers can be a barrier to entry. (Slide #23)
Name two kinds of barriers to entry in the value chain. (Slide #24)
Explain how exit barriers can be entry barriers. (Slide #25)
A key concept in strategy is “irreversible investment.” What are some of the ways this idea is expressed in accounting, economics, finance, and management courses? (Slide #26)
Under what conditions is a supplier group powerful? (Slide #27)
Under what conditions is a buyer group powerful? (Slide #28)
When is the threat of substitutes high? (Slide #29)
Under what conditions will incumbent rivalry be high? (Slide #30)
Why is advertising completion preferable for a firm rather than price competition? (Slide #31)
What are some of the uses of industry analysis? (Slide #32)
Explain the role of complements as the 6th Force. (Slides #33, #334, and #35)
055. How do we empirically test the Structure-Conduct-Performance Model (and 5 Forces)? (Slides #39-50)
056. What is meant by a “model specification?” (Slides #39-44)
057. What is meant by a model mis-specification? (Slides #45-47)
058. What is meant by a measurement problem? (Slide #48)
059. What is meant by an identification problem? (Slides #49 and #50)

Chapter 4:

060. What is meant by “core competencies” and “strategic fit?” (Slide #2)
061. What is the Ghemawat Model of Strategy? (Slide #4)
062. What is meant by Positioning? (Slide #5)
063. What are key elements of Organization? (Slide #6)
064. What are different types of resources and capabilities? (Slide #7)
065. What are different types of knowledge and levels of knowledge? (Slide #8)
066. Provide some company examples of core competencies. (Slide #10)
067. What is the difference between a product focus and a resource-based focus, and why might it matter for strategy? (Slide #11)
068. Provide examples of tangible and intangible resources, and what are the implications of each for sustainable competitive advantage? (Slide #12)
069. How are resources measured? (Slide #13) What were some examples from the Wal-mart case?
070. What are two critical assumptions of the Resource-Based View (RBV)? (Slide #15)
071. Describe the VRIO(N) Framework. (Slide #16)
072. If VRIO(N) is the answer, what is the question? (Lecture)
073. What determines the earning potential of resources and capabilities? (Slide #17)
074. What are the primary and support activities of the value chain? (Slides #18 and #19)
075. How can value chain analysis and benchmarking determine core competencies? (Slides #20 and #21)
076. What can be an unintended consequence of outsourcing? (Slide #22)
077. Describe the strategic coherence (activity system) model of Southwestern Airlines. (Slides #23-24)
078. How is the activity system model related to the value chain model? (Lecture)
079. What are some elements of Strategic Coherence? (Slides #25-30)
080. Why would the interaction of the stock of advertising (advertising in the past) and the flow of advertising in the current time period be more effective than not having a history of advertising? (Slide #31)
081. What is meant by the stock and flow model of developing capabilities? (Slide #32)
082. How can a firm gain and protect a competitive advantage? (Slides #34, #35, and #36)
Chapter 5:

083. Why is it important to evaluate a firm’s performance through multiple measures? (Slides #3-5)
084. What is the link between economic profit and departmental objectives? (Slide #6)
085. What is the optimal rate of growth of the firm? (Slide #7)
086. What are some typical conceptual traps that managers fall into in the pursuit of superior performance? (Slide #8)
087. How do we evaluate economic value (in terms of consumer and producer surplus)? (Slide #)
088. Why is NPV an excellent measure of maximizing economic return and creating and sustaining competitive advantage? (Slides #12-16)
089. What are some limitations of net present value measures? (Slides #17 and #18)
090. What are some capital market approaches to measuring performance? (Slide #19)
091. How do we calculate Economic Value Added (EVA)? (Slide #20)
092. What are the characteristics of firms with the highest ratios of market to book value? (Slide #21)
093. What are some drawbacks for accounting measures? (Slide #28)
094. What are some drawbacks to shareholder value as competitive advantage? (Slide #32)
095. What are the four perspectives of the balanced scorecard? (Slide #36)
096. What are some advantages and disadvantages of the balanced scorecard? (Slide #37)
097. What is the Triple Bottom Line? (Slide #39)
098. How do we put performance metrics in perspective? (Slide #42)

Chapter 6:

099. Define “business-level” strategy. (Slide #2)
100. What are the three key-questions for “defining the business?” (Slide #4)
101. Discuss how industry effects and firm effects influence competitive advantage. (Slide #5)
102. What are two fundamental questions of competitive advantage? (Slide #6)
103. Does market share necessarily generate competitive advantage? (Slides #7 and #8)
104. When can market share work to generate and sustain competitive advantage? (Slide #10)
105. Provide factors that can lead to sustainable competitive advantage. (Slide #11)
106. Discuss the concept of “tacit” knowledge. How does it related to sustainable competitive advantage? (Slide #11)
107. What are two forms of competitive advantage? (Slide #12)
108. Provide an example of each of the four generic strategies. (Slide #13)
109. Describe three types of competitive advantage. (Slide #16)
110. What is the definition of “differentiation advantage?” (Slide #17)
111. What is meant by “diseconomies of scale?” (Slide #21)
112. What is meant by minimum efficient scale? (Slide #22)
113. What are sources of gain in learning curves? (Slide #24)
114. What are limits of learning curve advantages? (Slide #25)
115. Prepare to calculate learning curves. (Slides #26, #27, and #28)
116. What is the primary basis for competitive advantage? (Slide #33)

Chapter 7:

117. What is meant by the innovation funnel? (Slide #2)
118. In the development of technology, what is the difference between “invention” and “innovation?” (Slides #3, #17, and #18)
119. Provide examples that illustrate that the imitation process for technologies has sped up over time. (Slide #4)
120. How might the value of innovation be distributed (i.e., appropriated)? (Slide #5)
121. What are some mechanisms that enable the innovator to appropriate value? (Slide #6)
122. What are some common examples of legal protection of intellectual property? (Slide #7)
123. How effective are different mechanisms for protecting innovation? (Slide #8)
124. What are some alternative strategies for exploiting innovation? (Slide #10)
125. Discuss the comparative success of commercialization by leaders and followers. (Slide #11)
126. What are some sources of uncertainty? What strategies are there for managing risk? (Slide #12)
127. What are “network externalities?” What are sources of network externalities? (Slides #13 and #22-23)
128. How does the VHS and Betamax example show that it does not always pay to try to appropriate more of the money? (Slide #14)
129. How is an “innovating organization” managed differently than an operating organization? (Slide #15)
130. What are some key elements of implementation in moving from invention to innovation? (Slide #16)
131. What are typically the four stages of the Industry Life-cycle? (Slide #19)
132. Discuss QWERTY as an example of how first-mover advantage, switching costs, and path dependence matter in strategy. (Slide #25)
133. What is the difference between “incremental innovation” and “radical innovation?” (Slide #29)
134. What is meant by a “disruptive innovation?” (Slide #29)
135. Provide some examples of disruptive innovation. (Slide #31)
136. Describe the “long tail” concept in the digital world of business. (Slides #133, #134, #135)
137. What is meant by “absorptive capacity?” How might the concept influence R&D strategy? (Slide #37)
Chapter 8:

138. Define corporate strategy. (Slide #2)
139. What are the three dimensions of corporate strategy? (Slide #3)
140. Explain how transaction cost economics can explain the “scope of the firm.” (Slides #4 and #5)
141. What are some advantages and disadvantages of the firm? What are some advantages and disadvantages of the market? (Slides #6 and #7)
142. What are some alternative organizational arrangements along the make or buy continuum? (Slide #8)
143. Describe backward and forward vertical integration along the industry value chain. (Slides #9-11)
144. In order to avoid confusion on the vertical coordination problem what two problems is it important for the manager to keep separate? (Slide #12)
145. What are some of the benefits of vertical integration? (Slides #13, #14, and #15)
146. What are some risks of vertical integration? (Slide #16)
147. What are some alternatives to vertical integration? (Slides #17 and #18)
148. What are some risks in undertaking cooperative agreements or strategic alliances? (Slide #19)
149. What are some different types of diversification? (Slide #20 and #21)
150. What are some value enhancing motivations for diversification? (Slides #22 and #23)
151. What are some other motivations for diversification? (Slides #25, #26, and #27)
152. Describe the diversification-performance relationship. (Slide #28)
153. Discuss the BCG Matrix, and how is it related to Knowledge Exploration and Knowledge Exploitation. (Slides #30 and #31)
154. What are some problems in achieving success in acquisitions? (Slide #34)
155. What are some of the attributes of effective acquisitions? (Slide #35)
156. What is meant by an “efficient market?” (Slide #36)
157. What is meant by the winner’s curse? (Slide #37)
158. Under what scenarios can the bidder do well? (Slide #38)

Chapter 9a:

159. What is the difference between a merger and an acquisition? (Slide #4)
160. Many mergers and acquisitions actually destroy value. Why? (Slides #9 and #10)
161. What are key characteristics of different alliance types? (Slides #18-22)
162. What are three key components of effective alliance management? (Slides #23-25)
163. What is meant by a strategic network? Discuss in the context of Star alliance. (Slide #27)
Power Point Set 9b:

164. Discuss the meaning of competitive dynamics, and the related concept of mutual interdependence. (Slide #2)
165. What are some advantages and disadvantages of first-mover strategies? (Slides #3 and #4)
166. What are some advantages and disadvantages of second-mover strategies? (Slides #5 and #6)
167. Discuss traditional evaluation of financial projects in terms of Net Present Value (NPV) or discounted cash flow. (Slide #7)
168. What are the three basic factors to consider in calculating NPV? (Slide #8)
169. What is a major difference between financial options in the finance discipline, and “real options” in the strategy field? (Slide #9)
170. Discuss four analytical methods for handling uncertainty. (Slide #10)
171. What is at the heart of real options value? (Slide #11)
172. Describe different types of real options. (Slide #12)
173. Why is the “stage investment” option not relevant in the Nucor case? (Lecture)
174. If the “narrowly defined” NPV (i.e., without calculating options value) is negative, why might it still be the economically profitable (positive NPV) move to invest when considering real options? (Slide #13)
175. Be prepared to calculate the option value of waiting. (Slides #14-17)
176. These calculations are based on decision-theoretical models from finance? What important factor is missing from a strategy perspective? (Slide #19)

Power Point Set 9c:

177. What is meant by a preemption strategy? (Slide #2)
178. What is meant by Adam Smith’s “invisible hand” game? (Slide #4)
179. Describe the Assurance Game from Rousseau’s “social contract” theory. (Slide #5)
180. Describe the Prisoners’ Dilemma Game. (Slide #6)
181. What is meant by dominant strategy equilibrium? (Slide #7)
182. What are some contexts for a Prisoners’ dilemma? (Slide #8)
183. Show that dominant strategy equilibrium must be Nash equilibrium, but not all Nash equilibria are dominant strategy equilibrium. (Slides #9 and #10)
184. What are the multiple equilibria of the “battles of the sexes” game? (Slide #11)
185. How is the result of the game if the game is played sequentially (rather than simultaneously)? (Slide #12)
186. Does this game have a first-mover or a second-mover advantage? (Slide #13)
187. What is the equilibrium of the interaction between Airbus and Boeing in the jumbo jet segment of the industry? (Slide #14)
188. How can Airbus gain first-mover advantage? (Slide #15)
189. In general, how can strategic commitment lead to competitive advantage? (Slide #16)
190. Describe the joint venture between GM and Toyota (NUMMI). (Slide #17)
191. Suppose GM makes a unilateral commitment. Is that a good move for GM? (Slide #18)
192. What is the result if there is mutual commitment? (Slide #19)
193. What is the key then for achieving cooperation? (Slide #20)

Chapter 10:

194. What is meant by “globalization,” and what factors have facilitated this globalization? (Slide #2)
195. What are some of the advantages of an enterprise in following a global strategy? (Slide #4)
196. What are some disadvantages of expanding internationally? (Slides #8)
197. How does a multinational enterprise decide where to locate in the global marketplace? (Slide #9)
198. Describe the various modes of how to expand globally. (Slides #11, #12, and #13)
199. Discuss the integration-responsiveness framework for competing globally. (Slides #14-17)
200. Describe Porter's Diamond Model of national competitive advantage. (Slides #19 and #20)
201. What is meant by a regional cluster? Why is it relevant for managers? (Slides #21-23)

Chapter 11:

202. Discuss the relationship between the division of labor (specialization) and agency problems. (Slide #2)
203. Describe the choice processes in the Carnegie model. (Slide #4)
204. What are some basic sources of bureaucratic costs? (Slide #5)
205. What are some key differences between organic and mechanistic organizations? (Slides #10 and #11)
206. Describe features of the multidivisional structure. (Slide #17)
207. Discuss Chandler’s (1962) insights on the multidivisional structure. (Slides #18 and #19)
208. What are three key features of organizational structure? (Slide #20)
209. Explain the evolutionary stability of the multidivisional organization. (Slides #25-28)
210. What does effective divisionalization involve? (Slide #29)
211. What are some dysfunctional aspects of the multidivisional? (Slide #30)
212. Describe the Matrix organization structure. (Slide #31)
213. What are some strengths of the matrix structure? (Slide #33)
214. What are some weaknesses of the matrix structure? (Slide #34)
215. Discuss the matching of global strategy and organizational structure. (Slide #35)
Chapter 12:
216. What are four characteristics of public firms? (Slide #2)
217. What are key questions to consider in a stakeholder impact analysis? (Slide #5)
218. What is meant by corporate governance and agency costs? (Slide 9)
219. What are the “institutions of capitalism” that lessen the (agency) problem of the separation of ownership and control? (Slide #13)

Case Questions:
220. Discuss Wal-mart in terms of their: (a) Positioning; (b) Resources and Capabilities; and (c) Organization.
221. Discuss the various types of entry barriers and provide examples from the RTE Cereal Industry. Are the data in the RTE industry consistent with the Structure-Conduct-Performance theory?
222. Provide Porter’s 5 Forces Analysis for the Soft Drink Industry. Are the data in the Soft Drink Industry consistent with the Structure-Conduct-Performance theory?
223. In what ways was Glass Egg a successful entrepreneurial company? How could they have done better?
224. Provide a Value-Chain analysis of Coca-Cola. What resources and capabilities qualify as VRION?
225. Describe Zara’s value chain. What is the core competence of Zara within this value chain?
226. Explain how the vertical integration theory emphasizing the concept of asset specificity would suggest that PepsiCo did not need to acquire Carts of Colorado.
227. Assuming it decides to remain in the restaurant business, should Pepsi Restaurants move into question mark (exploration) markets such as California Pizza Kitchen OR should it maintain/expand its cash cow business (exploitation) of Pizza Hut?
228. What opportunity cost and organizational structure arguments could be given to recommend that PepsiCo divest (i.e., spinoff) its restaurants?
229. Explain Nucor’s: (a) positioning, (b) resources and capabilities, and (c) organization structure and incentives.
230. Define the real options of (a) the option value of waiting; (b) the abandonment option; and (c) growth options. Apply these options to the Nucor case.
231. Explain the characteristics of the global appliance industry that necessitate a transnational strategy for Haier.
232. What type of organizational structure would be the best fit for Haier’s transnational strategy?