**MINI CASE SCENARIOS:**

**Case Scenario Delta: The RV industry and /or a firm in that industry**

Employing our in-class discussion of the Recreational Vehicle industry and some of the firms in it, answer the following questions.

**Δ**1. Select and name a competitor in the RV industry. Discuss the attributes of their generic business level strategy. (4%)

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**Δ**2. Using the same competitor as an example, describe how they configured their value chain to fit their strategy. (8%)

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**Case Scenario Sigma: Zenith Jewellers.**

Through its sole location in an affluent suburb of Vancouver, Zenith Jewellers has established a strong niche market in the upscale jewellery store segment. Zenith was founded in 1871 and is currently owned and operated by John Wickersham, who bought the firm from its founding family in 1985. Wickersham joined the firm as a trainee out of high school, completed his gemology training, and several years later took ownership with the financial help of his parents. That debt has long been paid off and business has thrived.

When he first acquired the business, Zenith offered a full range of jewellery and gift items from watches to wedding sets to silverware to clocks. This broad range of products was mirrored by a broad price range – $10,000 Rolex watches were sold next to $50 Seiko watches. While some jewellery was custom designed and manufactured, most of the products were *case ready*, meaning they were sourced from large jewellery and silver manufacturers from around the world.

Over the last 15 years, Wickersham has narrowed the company’s product offering considerably to focus only on high-end watches like Rolex and Piaget, custom jewellery, and estate jewellery. Wickersham stresses that this is an appropriate focus for his business since each of the products lends itself to relationship selling, and price rarely comes into the discussion. Despite the narrower offering moreover, Zenith’s floor space has doubled, and clients are intensely loyal to the good taste, design skills, and personal service level provided.

**Σ**1. What generic business strategy best describes Zenith Jewellers? Why? (5%) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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**Σ**2. While Zenith is doing well, Mr. Wickersham would like to grow his business beyond the present location. He believes growth may bring greater profitability, as well as employment avenues for his only child, who will soon be finishing high school. What recommendations do you have for Mr. Wickersham regarding his growth choices? (7%)

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**Case Scenario Pi: Plasco.**

Plasco is a $3 billion U.S.-based manufacturer of flexible plastic products like trash cans, reheatable and freezable food containers, and a broad range of other plastic storage containers designed for home and office use. Plasco has historically been the category killer for most of its products and has devoted tremendous resources to new product development on an ongoing basis – this research intensity has allowed the company to release, on average, a new product every day over the past 5 years.

Despite its past strength and high brand awareness, Plasco’s profitability has been eroded by dramatic increases in the cost of plastic resin, the primary input into its products. Also, the retail channel has experienced consolidation resulting in a shift in the balance of power from branded producers like Plasco, to strong retailers like Walmart, who in turn have been unwilling to help Plasco absorb the higher resin costs. Enhancing Walmart’s power is the fact that it can always turn to alternative high-volume sources of consumer plastic products like Sterlite.

Further hampering Plasco’s recovery is the emergence of feisty little foreign rivals like ZiCo, a $250 million Israeli firm that has begun to take part of Plasco’s market share in plastic toolboxes. Ironically, Plasco was the first to offer plastic toolboxes some 20 years ago. This innovation changed the market dramatically and Plasco’s first mover strategy rewarded it with a rapidly growing new segment and a dominant market position. Today, Plasco’s toolboxes are viewed as rather boring, while ZiCo’s products are ingeniously designed to catch the customer’s eye in the aisle (better merchandising the product) and capture their interest (and pocketbook) with many new and novel features. ZiCo is also able to provide this new line of toolboxes at between 10% to 15% less than Plasco.

**Π**1. Is the toolbox business a slow-, standard-, or fast-cycle business? (5%) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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**Π**2. How can a small player like ZiCo be a successful competitor against a large established firm like Plasco? (7%)

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**SHORT ANSWERS:**

A. What is market commonality? What is resource similarity? How are these concepts combined to identify the level of competition between two firms? (7%) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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B. Define competitive actions and responses and explain the two types of competitive actions and responses. (7%)

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C. Who are the firm’s strategic leaders? How do strategic leaders predict the profit outcomes of different strategic decisions? (7%) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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D. 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? (7%) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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**MULTIPLE CHOICE:**

**Provide the best answer to each:**

 1. A global corporate-level strategy emphasizes:

A. differentiated products. C. top management team leadership.

B. economies of scale. D. decentralizing control and limited monitoring.

 2. Which of the following is NOT a reason to implement a diversification strategy?

A. To enhance the strategic competitiveness of the entire company.

B. To expand the business portfolio in order to reduce managerial employment risk.

C. To gain market power relative to competitors.

D. To increase the low performance levels of a business unit.

 3. Rapid-Homes specializes in low-cost prefabricated, modular homes that can be erected in days any-where in the country. Rapid focuses on entire subdivisions of homes developed by real estate speculators. ModernModular Homes (ModMod) specializes in modular homes designed by architects, which can be built anywhere in the country. The buyers usually build the home themselves from kits on their own lots. ModMod sells fewer than 100 house kits per year. ModMod is run by two architecture professors as a sideline business. According to the “Framework of Competitive Analysis,” we can say that Rapid-Built and ModMod

A. Have high market commonality. C. Are direct mutually acknowledged competitors.

B. Have high resource similarity. D. Are likely NOT engaged in intense competitive rivalry.

 4. The following affect the pace of strategic decision making EXCEPT an executive’s:

A. cognitive ability. B. propensity to act. C. computer expertise. D. tolerance for risk.

 5. A second mover is:

A. a firm that responds to a first mover’s competitive action, often through imitation or a move designed to counter the effects of an action.

B. a firm that leads a competitive action in an industry.

C. an individual who imitates others to ensure the progress of his/her career.

D. an individual who moves from a declining industry to a new expanding industry.

 6. A firm’s restructuring strategy is oftentimes driven by:

A. acquisition strategy failure. C. the prevailing fad of the industry.

B. the firm’s strategic plan. D. supplier demands.

 7. Blind taste-tests have shown the taste of premium vodkas and inexpensive vodkas are indistinguishable even to regular drinkers of vodka. But the sales of premium vodkas are thriving. This is an example of

a. the perception of perceived prestige and status as a means of differentiating a product.

b. the importance of high-quality raw materials when using the differentiation strategy.

c. the risk of product imitation by competitors.

d. the danger counterfeiting holds for firms pursuing the differentiation strategy.

 8. One way for firms to manage the risks inherent in strategic alliances is to:

A. complete a careful credit check of the potential partner.

B. develop a trusting relationship.

C. threaten the partner with lawsuits for noncompliance.

D. immediately end the alliance if a partner does not perform as expected.

 9. Markets that are often described as dynamic and entrepreneurial are called:

A. slow-cycle markets. B. fast-cycle markets. C. standard-cycle markets. D. sheltered markets.

10. Alliances to reduce competition are most likely to achieve:

A. sustained competitive advantage. C. temporary competitive advantage.

B. competitive parity. D. competitive disadvantage.

11. An industry is defined as:

A. a group of firms producing the same item.

B. firms producing items that sell through the same distribution channels.

C. firms that have the same seven digit standard industrial code.

D. a group of firms producing products that are close substitutes.

12. Switching costs refer to the:

A. cost to a producer to exchange equipment in a facility.

B. cost of changing the firm’s strategic group.

C. one-time costs suppliers incur when selling to a different customer.

D. one-time costs customers incur when buying from a different supplier.

13. The differentiation strategy calls for a firm to provide products that:

A. are at the lowest cost possible.

B. have acceptable features.

C. incorporate features for which the customer will pay a premium.

D. solve the problem of being “stuck in the middle.”

14. The effectiveness of any of the generic business-level strategies is contingent upon:

A. customer needs and competitors’ strategies.

B. the firm’s resources, capabilities, and core competencies and opportunities/threats of the environment.

C. product line scope and national economic conditions.

D. management’s leadership style and the wealth of the firm’s target market.

15. The announcement of a price increase in a price-sensitive industry such as cars is an example of a:

A. tactical action. B. strategic action. C. strategically-timed action. D. reputational response.

16. The factors that lead to poor long-term performance by acquisitions include all of the following EXCEPT firms:

A. not being diversified enough. C. being unable to achieve synergy.

B. having too much debt. D. growing too large.

17. Intangible assets include:

A. the firm’s reputation for its goods and services. C. depreciated capital assets.

B. a firm’s borrowing capacity. D. manufacturing facilities.

18. Resources of the firm would NOT include:

A. skills of individual employees. C. industry structure.

B. capital equipment. D. talented managers.

19. Which of the following is NOT a criterion that managers can use to decide which of their firm’s capabilities have the potential to create a sustained competitive advantage?

A. Organized to exploit. B. Valuable. C. Rare. D. Easy to imitate.

20. A general environmental analysis can be expected to produce all of the following EXCEPT:

A. objective answers. C. identification of organizational opportunities.

B. recognition of environmental changes. D. identification of organizational threats.

21. Managerial motives for diversification include a desire to:

A. increase their risk taking level. C. provide returns to corporate stakeholders.

B. effectively use corporate resources. D. increase their compensation.

22. Often, firms plagued by poor performance will:

A. avoid risks whenever possible. C. increase their level of new product innovation.

B. increase their level of borrowing funds. D. increase their level of diversification.

23. In the heat of rivalry, many firms may seek to avoid:

A. outsourcing. C. vertical alliances.

B. destructive or excessive competition. D. supplier partnerships.

24. Managers often perceive \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ as a highly risky activity.

A. internal product development. C. diversification.

B. related acquisitions. D. reducing time-to-market

25. The three components of the external environment are:

A. general, economic, and technological. C. general, industry, and demographic.

B. general, industry, and competitor. D. general, competitor, and structural.

26. A firm’s inability to understand how competitors use competencies to gain competitive advantage is an example of:

A. social complexity. C. the rarity of a capability.

B. causal ambiguity. D. the nonsubstitutability of a capability.

27. Firms can create corporate flexibility and extend or leverage their core competencies in new geographic regions by:

A. developing equity strategic alliances. C. acquiring foreign firms.

B. engaging in joint ventures. D. developing international strategic alliances.

28. Competitive advantage typically comes from:

A. individual resources. C. several outstanding resources acting independently.

B. one very outstanding resource. D. the unique bundling of several resources.

29. Which of the following is an economic risk to international firms?

A. Currency exchange rate fluctuations. C. Government regulation

B. Threat of war. D. Nationalization of operations

30. When resources and capabilities serve as a source of competitive advantage for a firm, the firm has created a \_\_\_\_\_.

A. strategic mission. B. strategic objective. C. superior benefit. D. core competence.

31. Companies successfully implementing an integrated differentiation/cost leadership strategy are better positioned to do all of the following EXCEPT:

A. learn new skills. C. continue using current technology.

B. adapt quickly to a changing environment. D. leverage core competencies across business units.

32. The three conditions that characterize difficult managerial decisions concerning resources, capabilities, and core competencies are:

A. complexity, rarity, and capacity.

B. uncertainty, complexity, and intraorganizational conflicts.

C. imitability, complexity, and interorganizational conflicts.

D. uncertainty, value, and availability of resources.

33. The strategic management process is:

A. a set of activities that is guaranteed to prevent organizational failure.

B. a process concerned with a firm’s resources, capabilities, and competencies, but not the conditions in its external environment.

C. a set of activities that have not been used successfully in not-for-profits.

D. a dynamic process involving the full set of commitments, decisions, and actions related to the firm.

34. As international diversification increases, firm returns tend to:

A. remain stable. B. decrease. C. become more variable. D. increase.

35. A sustained or sustainable competitive advantage requires that:

A. the value creating strategy be in a formulation stage.

B. competitors be simultaneously implementing the strategy.

C. other companies not be able to duplicate the strategy.

D. average returns be earned by the company.

36. Business Models differ from strategy in all the following ways EXCEPT:

A. Business models address a series of broad functions that create value for the customer, rather than activities.

B. Business models do not show how a firm’s activities are related, but the strategic value chain does.

C. Unlike the strategic value chain, business models do not address competitive advantage.

D. None of the above.

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**Case Scenario Delta: The RV industry and /or a firm in that industry**

**Employing our in-class discussion of the Recreational Vehicle industry and some of the firms in it, answer the following questions.**

**Δ1. Select and name a competitor in the RV industry. Discuss the attributes of their generic business level strategy.**

*ANSWER:* Generally, discussion of how cost leaders have created efficient scale plant and other streamlined functions to reduce costs; or how differentiators have segmented the market to allow for premium product and how those using a focussed strategy have done these things for their market segment.

**Δ2. Using the same competitor as an example, describe how they configured their value chain to fit their strategy.**

*ANSWER:* Generally, you need to go through all primary and support functions in the value chain and detail how those support the strategy.

**Case Scenario Sigma: Zenith Jewellers.**

**Σ1. What generic business strategy best describes Zenith Jewellers? Why? (5%)**

*ANSWER:* Generally, Zenith’s limited product line and premium pricing indicate a focussed differentiated strategy.

**Σ2. While Zenith is doing well, Mr. Wickersham would like to grow his business beyond the present location. He believes growth may bring greater profitability, and employment avenues for his only child, who will soon be finishing high school. What recommendations do you have for Mr. Wickersham regarding his growth choices?**

*ANSWER:* Generally, there are limits to growth presented by Zenith’s current strategy and resources. One way to address this question is to walk through a particular expansion plan and then see how the company’s resources do and do not support that plan.

One obvious avenue is to open additional locations. Such an avenue would likely leverage Wickersham’s contacts and expertise in sourcing raw materials, as well as providing a greater market to exploit his representation and contracts with watch firms like Rolex and Piaget. A second avenue would be to leverage Wickersham’s design skills to go into the wholesale jewellery business.

The risk underlying both of these growth avenues is that it may spread Mr. Wickersham too thin: as the scenario clearly suggests, his personal knowledge and relationships (and time) are central to Zenith’s current success and status quo might be the best choice.

**Case Scenario Pi: Plasco.**

**Π1. Is the toolbox business a slow-, standard-, or fast-cycle business? (5%)**

*ANSWER:* One can argue for standard to fast. There seems to be a degree of change that occurs with some regularity.

**Π2. How can a small player like ZiCo be a successful competitor against a large established firm like Plasco?**

*ANSWER:* The quickest answer may be that ZiCo is focussed on the toolbox market while Plasco has its attentions spread over a broader product line. Therefore ZiCo may be able to gain better economies and pay closer attention to consumer needs for this market niche than Plasco.One can argue for standard to fast. The seems to be a degree of change that occurs with some regularity.

**A. What is market commonality? What is resource similarity? How are these concepts combined to identify the level of competition between two firms?**

*ANSWER:* Market commonality is concerned with the number of markets with which the firm and a competitor are jointly involved and the degree of importance of the individual markets to each. When firms produce similar products and compete for the same customers, competitive rivalry is likely to be high. Firms competing against one another in several or many markets engage in multimarket competition. A firm with greater multimarket contact is less likely to initiate an attack, but more likely to respond when attacked. In general, multimarket competition educes competitive rivalry but some firms will still compete when the potential rewards (e.g., potential market share gain) are high.

Resource similarity is the extent to which the firm’s tangible and intangible resources are comparable to a competitor’s in terms of both type and amount. Firms with resource similarity are likely to have similar strengths and weaknesses and to use similar strategies.

The combination of high or low market commonality and high or low resource similarity identifies whether firms are competitors. Firms having both high market commonality and high resource similarity are direct and mutually acknowledged competitors. If firms share few markets and have little similarity in resources they are not direct and mutually acknowledged competitors.

**B. Define competitive actions and responses and explain the two types of competitive actions and responses.**

*ANSWER:* A *competitive action* is a strategic or tactical action the firm takes to build or defend its competitive advantages and improve its market position. A *competitive response* is a strategic or tactical action the firm takes to counter the effects of a competitor’s competitive action. A *strategic action* or *strategic response* is a market-based move that involves a significant commitment of organizational resources and is difficult to implement or reverse.

A *tactical action* or *tactical response* is a market-based move that is taken to fine-tune a strategy. It involves fewer resources and is relatively easy to implement and reverse. Strategic actions tend to receive strategic responses. Tactical actions tend to receive tactical responses because they are easy to put into place. Strategic actions elicit fewer total competitive responses than do tactical actions. Responses to strategic actions will be slower than will responses to tactical actions because competitors need time to observe whether the strategic action will be successful.

**C. Who are the firm’s strategic leaders? How do strategic leaders predict the profit outcomes of different strategic decisions?**

*ANSWER:* The firm’s strategic leaders include the CEO and top-level managers, but they also include organizational members who have been delegated strategic responsibilities. Strategic leaders use the strategic management process to help the firm reach its vision and mission. Mapping an industry’s profit pool is one way strategic leaders can anticipate the profitability of different strategic decisions. A profit pool is the total profits earned in an industry along all points in the value chain. This helps the leaders determine where the primary sources of profit in the industry are located and allows them to take actions to tap these sources.

**D. 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:* One 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.

Two 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.

 Three is 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.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Multiple Choice** | 1 | B |  |  | 10 | B |  |  | 19 | D |  |  | 28 | D |  | **Total:** |
| 2 | B |  |  | 11 | D |  |  | 20 | A |  |  | 29 | A |  |
| 3 | D |  |  | 12 | D |  |  | 21 | D |  |  | 30 | D |  |
| 4 | C |  |  | 13 | C |  |  | 22 | D |  |  | 31 | C |  |
| 5 | A |  |  | 14 | B |  |  | 23 | B |  |  | 32 | B |  |
| 6 | A |  |  | 15 | A |  |  | 24 | A |  |  | 33 | D |  |  |
| 7 | A |  |  | 16 | A |  |  | 25 | B |  |  | 34 | D |  |  |
| 8 | B |  |  | 17 | A |  |  | 26 | B |  |  | 35 | C |  |  |
| 9 | B |  |  | 18 | C |  |  | 27 | D |  |  | 36 | D |  |  |