

Strategic Management, 15e, Global Edition (David/David)
Chapter 7 The External Audit

1) Industry analysis is also referred to as external strategic management audit.

Answer: TRUE

Diff: 1

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

2) An external audit focuses on identifying and evaluating trends and events within the control of management.

Answer: FALSE

Diff: 2

Objective: 7.02 Describe how to conduct an external strategic-management audit.

Learning Outcome: Explain how to evaluate a firm's external environment

3) The aim of an external audit is to develop an exhaustive list of every possible factor that could influence the business.

Answer: FALSE

Diff: 2

Objective: 7.02 Describe how to conduct an external strategic-management audit.

Learning Outcome: Explain how to evaluate a firm's external environment

4) External audits attempt to identify key variables that offer actionable responses.

Answer: TRUE

Diff: 1

Objective: 7.02 Describe how to conduct an external strategic-management audit.

Learning Outcome: Explain how to evaluate a firm's external environment

5) Five major categories of external variables are: 1) economic forces, 2) social, cultural, demographic, and natural environment forces, 3) political, governmental, and legal forces, 4) technological forces and 5) demographic forces.

Answer: TRUE

Diff: 2

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

6) As many managers and employees as possible should be involved in the process of performing an external audit.

Answer: TRUE

Diff: 1

Objective: 7.02 Describe how to conduct an external strategic-management audit.

Learning Outcome: Explain how to evaluate a firm's external environment

7) To perform an external audit, a company first must gather competitive intelligence and information about social, cultural, demographic, environmental, economic, political, legal, governmental, and technological trends.

Answer: TRUE

Diff: 2

Objective: 7.02 Describe how to conduct an external strategic-management audit.

Learning Outcome: Explain how to evaluate a firm's external environment

8) Freund argues that key external factors must not be hierarchical.

Answer: FALSE

Diff: 2

Objective: 7.02 Describe how to conduct an external strategic-management audit.

Learning Outcome: Explain how to evaluate a firm's external environment

9) The I/O approach to competitive advantage advocates that internal factors are more important than external factors in a firm achieving competitive advantage.

Answer: FALSE

Diff: 2

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

10) Much of Europe lingers in a recession.

Answer: TRUE

Diff: 2

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

11) Economic factors do not have much impact on the attractiveness of strategies.

Answer: FALSE

Diff: 1

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

12) An increase in interest rates is directly related to an increase in discretionary income and an increase in the demand for discretionary goods.

Answer: FALSE

Diff: 3

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

13) Motor vehicle firms in the United States are vulnerable when the value of the dollar falls against the yen and euro.

Answer: FALSE

Diff: 2

AACSB: Diverse and multicultural work environments

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

14) A low value of the dollar means lower exports and higher imports.

Answer: FALSE

Diff: 3

AACSB: Diverse and multicultural work environments

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

15) A low value of the dollar benefits the U.S. economy in many ways.

Answer: TRUE

Diff: 3

AACSB: Diverse and multicultural work environments

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

16) The United States is getting older and less white.

Answer: TRUE

Diff: 2

AACSB: Diverse and multicultural work environments

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

17) It is predicted that, by 2025, over 18% of the population in the United States will be 65 years or older.

Answer: TRUE

Diff: 3

AACSB: Diverse and multicultural work environments

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

18) Remaining solely domestic is an increasingly safer strategy for U.S. companies.

Answer: FALSE

Diff: 2

AACSB: Diverse and multicultural work environments

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

19) U.S. households are making more and more purchases online.

Answer: TRUE

Diff: 2

AACSB: Information technology

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

20) By 2075, the United States will have no racial or ethnic majority.

Answer: TRUE

Diff: 2

AACSB: Diverse and multicultural work environments

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

21) There are now more American households consisting of married couples with children than of people living alone or with unrelated people.

Answer: FALSE

Diff: 2

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

22) The historical trend of people moving from the Northeast and Midwest to the Sunbelt and West has dramatically increased.

Answer: FALSE

Diff: 1

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

23) By 2050, the Census Bureau projects that the number of Americans age 100 and older will dramatically decrease.

Answer: FALSE

Diff: 1

AACSB: Diverse and multicultural work environments

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

24) The trend toward an older America is bad news for restaurants, hotels, airlines and home builders.

Answer: FALSE

Diff: 1

AACSB: Diverse and multicultural work environments

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

25) Political issues and stances do matter for business, especially in today's world of instant tweeting and e-mailing.

Answer: TRUE

Diff: 1

AACSB: Information technology

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

26) In response to the so-called Obamacare legislation, many U.S. businesses are transitioning to having a larger percentage of their workforce being comprised of full-time employees rather than part-time workers.

Answer: FALSE

Diff: 2

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

27) Political forecasts can be the most important part of an external audit for firms that depend heavily on government contracts.

Answer: TRUE

Diff: 2

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

28) In the face of a deepening global recession, countries worldwide are resorting to protectionism to safeguard their own industries.

Answer: TRUE

Diff: 2

AACSB: Diverse and multicultural work environments

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

29) India is increasing tariffs on foreign steel.

Answer: TRUE

Diff: 2

AACSB: Diverse and multicultural work environments

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

30) The United States has been more active than other nations in protectionist measures and has engaged in many "Buy American" policies.

Answer: FALSE

Diff: 3

AACSB: Diverse and multicultural work environments

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

31) The Internet is changing the very nature of many industries by altering product life cycles and changing the historical trade-off between production standardization and flexibility.

Answer: TRUE

Diff: 2

AACSB: Information technology

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

32) In practice, critical technology decisions are too often delegated to lower organizational levels or are made without an understanding of their strategic implications.

Answer: TRUE

Diff: 2

AACSB: Information technology

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

33) Walgreens and CVS pharmacies are located generally across the street from each other and battle each other every day on price and customer service.

Answer: TRUE

Diff: 3

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

34) A characteristic that describes the most competitive companies is adopting the adage, "whether it's broke or not, fix it;" in other words, continually strive to improve everything about the firm.

Answer: TRUE

Diff: 2

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

35) The size of U.S. labor unions has increased sharply in the last decade.

Answer: FALSE

Diff: 2

Objective: 7.01 Discuss the nature and role of labor unions in the USA as a corporate strategic issue.

Learning Outcome: Explain how to evaluate a firm's external environment

36) Corporate intelligence can be defined as a systematic and ethical process for gathering and analyzing information about the competition's activities and general business trends to further a business's own goals.

Answer: FALSE

Diff: 3

AACSB: Ethical understanding and reasoning

Objective: 7.09 Discuss the importance of gathering competitive intelligence.

Learning Outcome: Explain how to evaluate a firm's external environment

37) Major competitors' weaknesses can represent internal opportunities.

Answer: FALSE

Diff: 1

Objective: 7.09 Discuss the importance of gathering competitive intelligence.

Learning Outcome: Explain how to evaluate a firm's external environment

38) Major competitors' strengths may represent key threats.

Answer: TRUE

Diff: 2

Objective: 7.09 Discuss the importance of gathering competitive intelligence.

Learning Outcome: Explain how to evaluate a firm's external environment

39) Hiring top executives from rival firms is a way companies obtain competitive intelligence.

Answer: TRUE

Diff: 2

AACSB: Ethical understanding and reasoning

Objective: 7.09 Discuss the importance of gathering competitive intelligence.

Learning Outcome: Explain how to evaluate a firm's external environment

40) An effective CI program allows all areas of a firm to access consistent and verifiable information in making decisions.

Answer: TRUE

Diff: 2

AACSB: Analytical Thinking

Objective: 7.09 Discuss the importance of gathering competitive intelligence.

Learning Outcome: Explain how to evaluate a firm's external environment

41) Competitive intelligence is not considered corporate espionage because 95 percent of the information a company needs to make strategic decisions is available and accessible to the public.

Answer: TRUE

Diff: 3

AACSB: Ethical understanding and reasoning

Objective: 7.09 Discuss the importance of gathering competitive intelligence.

Learning Outcome: Explain how to evaluate a firm's external environment

42) Running a competitive intelligence program requires lots of people, computers, and other resources.

Answer: FALSE

Diff: 3

AACSB: Ethical understanding and reasoning

Objective: 7.09 Discuss the importance of gathering competitive intelligence.

Learning Outcome: Explain how to evaluate a firm's external environment

43) Intelligence gathering is an unethical business practice.

Answer: FALSE

Diff: 2

AACSB: Ethical understanding and reasoning

Objective: 7.09 Discuss the importance of gathering competitive intelligence.

Learning Outcome: Explain how to evaluate a firm's external environment

44) Market commonality is the extent to which the type and amount of a firm's internal resources are comparable to a rival.

Answer: FALSE

Diff: 3

Objective: 7.10 Discuss market commonality and resource similarity in relation to competitive analysis.

Learning Outcome: Explain how to evaluate a firm's external environment

45) According to Michael Porter, five competitive forces create vital opportunities and threats to organizations: 1) rivalry among competing firms, 2) potential entry of new competitors, 3) potential development of substitute products, 4) bargaining power of suppliers, and 5) bargaining power of consumers.

Answer: TRUE

Diff: 2

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

46) Wisconsin recently passed a law eliminating most collective-bargaining rights for the state's public-employee unions.

Answer: TRUE

Diff: 1

Objective: 7.01 Discuss the nature and role of labor unions in the USA as a corporate strategic issue.

Learning Outcome: Explain how to evaluate a firm's external environment

47) Bargaining power of consumers is usually the most powerful of Porter's five competitive forces.

Answer: FALSE

Diff: 3

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

48) Significant barriers to entry are not always sufficient to keep some new firms from entering industries with higher-quality products, lower prices, and substantial marketing resources.

Answer: TRUE

Diff: 2

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

49) Laser eye surgery would be considered a substitute product for eyeglasses and contact lenses.

Answer: TRUE

Diff: 3

AACSB: Application of knowledge

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

50) A forward integration strategy is used by firms to gain control or ownership of suppliers.

Answer: FALSE

Diff: 2

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

51) The bargaining power of consumers can be the most important force impacting competitive advantage.

Answer: TRUE

Diff: 1

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

52) Forecasts are educated assumptions about future trends and events.

Answer: TRUE

Diff: 1

Objective: 7.05 Discuss important forecasting tools used in strategic management.

Learning Outcome: Explain how to evaluate a firm's external environment

53) Qualitative forecasts are most appropriate when historical data are available and when the relationships among key variables are expected to remain the same in the future.

Answer: FALSE

Diff: 2

Objective: 7.05 Discuss important forecasting tools used in strategic management.

Learning Outcome: Explain how to evaluate a firm's external environment

54) Quantitative forecasts become less accurate as historical relationships become less stable.

Answer: TRUE

Diff: 2

Objective: 7.05 Discuss important forecasting tools used in strategic management.

Learning Outcome: Explain how to evaluate a firm's external environment

55) Linear regression is based on the assumption that the future will be different from the past.

Answer: FALSE

Diff: 3

Objective: 7.05 Discuss important forecasting tools used in strategic management.

Learning Outcome: Explain how to evaluate a firm's external environment

56) Assumptions have no place in planning.

Answer: FALSE

Diff: 3

AACSB: Analytical Thinking

Objective: 7.05 Discuss important forecasting tools used in strategic management.

Learning Outcome: Explain how to evaluate a firm's external environment

57) Without reasonable assumptions, the strategy-formulation process could not proceed effectively.

Answer: TRUE

Diff: 2

Objective: 7.05 Discuss important forecasting tools used in strategic management.

Learning Outcome: Explain how to evaluate a firm's external environment

58) While forecasts might not be perfect, they are never wildly inaccurate.

Answer: FALSE

Diff: 2

Objective: 7.05 Discuss important forecasting tools used in strategic management.

Learning Outcome: Explain how to evaluate a firm's external environment

59) Organizations never develop their own projections.

Answer: FALSE

Diff: 2

Objective: 7.05 Discuss important forecasting tools used in strategic management.

Learning Outcome: Explain how to evaluate a firm's external environment

60) Wild guesses should never be part of the planning process.

Answer: TRUE

Diff: 1

Objective: 7.05 Discuss important forecasting tools used in strategic management.

Learning Outcome: Explain how to evaluate a firm's external environment

61) A total weighted score of 1.0 for an EFE Matrix indicates that the firm is responding in an outstanding way to existing opportunities and threats in its industry.

Answer: FALSE

Diff: 1

Objective: 7.07 Explain how to develop an EFE Matrix.

Learning Outcome: Explain how to evaluate a firm's external environment

62) In an EFE Matrix, opportunities often receive higher weights than threats, but threats too can receive high weights if they are especially severe or threatening.

Answer: TRUE

Diff: 2

Objective: 7.07 Explain how to develop an EFE Matrix.

Learning Outcome: Explain how to evaluate a firm's external environment

63) Regardless of the number of key opportunities and threats included in an External Factor Evaluation Matrix, the highest possible total weighted score for an organization is 4.0, and the lowest possible total weighted score is 0.0.

Answer: FALSE

Diff: 3

Objective: 7.07 Explain how to develop an EFE Matrix.

Learning Outcome: Explain how to evaluate a firm's external environment

64) A Competitive Profile Matrix allows strategists to summarize and evaluate economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive information.

Answer: FALSE

Diff: 2

Objective: 7.08 Explain how to develop a Competitive Profile Matrix.

Learning Outcome: Explain how to evaluate a firm's external environment

65) The weights and total weighted scores in both a Competitive Profile Matrix and an EFE Matrix have the same meaning.

Answer: TRUE

Diff: 3

Objective: 7.08 Explain how to develop a Competitive Profile Matrix.

Learning Outcome: Explain how to evaluate a firm's external environment

66) The critical success factors in a Competitive Profile Matrix and EFE Matrix include both internal and external issues.

Answer: FALSE

Diff: 3

Objective: 7.08 Explain how to develop a Competitive Profile Matrix.

Learning Outcome: Explain how to evaluate a firm's external environment

67) _____ is NOT part of an external audit.

A) Analyzing competitors

B) Analyzing financial ratios

C) Analyzing available technologies

D) Studying the political environment

E) Analyzing social, cultural, demographic and natural environment forces

Answer: B

Diff: 2

AACSB: Analytical Thinking

Objective: 7.02 Describe how to conduct an external strategic-management audit.

Learning Outcome: Explain how to evaluate a firm's external environment

68) Identifying and evaluating key social, political, economic, technological and competitive trends and events comprise

A) developing an effective mission statement.

B) conducting an internal audit.

C) performing an external audit.

D) formulating strategy.

E) implementing strategy.

Answer: C

Diff: 2

Objective: 7.02 Describe how to conduct an external strategic-management audit.

Learning Outcome: Explain how to evaluate a firm's external environment

69) The process of performing an external audit needs to include

- A) only top level managers, as it is a planning function.
- B) as many managers and employees as possible.
- C) primarily front-line supervisors.
- D) between 15 to 20 managers for it to be valid.
- E) stockholders and external government agencies.

Answer: B

Diff: 2

Objective: 7.02 Describe how to conduct an external strategic-management audit.

Learning Outcome: Explain how to evaluate a firm's external environment

70) To perform an external audit, a company first must

- A) get an approval from the Securities and Exchange Commission.
- B) perform an internal audit.
- C) gather competitive intelligence and information about external trends.
- D) hire a consultant to develop a comprehensive strategic plan.
- E) all of the above

Answer: C

Diff: 1

Objective: 7.02 Describe how to conduct an external strategic-management audit.

Learning Outcome: Explain how to evaluate a firm's external environment

71) Freund emphasizes that key external factors should be all of these EXCEPT

- A) important to achieving long-term and annual objectives.
- B) measurable.
- C) relatively few in number.
- D) applicable to all competing firms.
- E) hierarchical in the sense that some will pertain to the overall company while others will be more narrowly focused.

Answer: C

Diff: 1

Objective: 7.02 Describe how to conduct an external strategic-management audit.

Learning Outcome: Explain how to evaluate a firm's external environment

72) The I/O approach to competitive advantage advocates that external factors are _____ internal factors in a firm achieving competitive advantage.

- A) less important than
- B) equally important as
- C) more important than
- D) more common than
- E) less common than

Answer: C

Diff: 1

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

73) According to I/O theorists, which of the following contributes LEAST to firm's performance?

- A) Economies of scale
- B) Barriers to market entry
- C) Product differentiation
- D) Internal resources
- E) Level of competitiveness

Answer: D

Diff: 3

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

74) The lingering high underemployment rate in the U.S. is an example of a(n) _____ force affecting business.

- A) social
- B) economic
- C) cultural
- D) technological
- E) historical

Answer: B

Diff: 2

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

75) What happens when interest rates rise?

- A) Discretionary income increases.
- B) The demand for discretionary goods increases.
- C) Discretionary income is unchanged.
- D) The demand for discretionary goods decreases.
- E) Discretionary income increases and the demand for discretionary goods decreases.

Answer: D

Diff: 3

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

76) What effect do trends in the dollar's value have on companies in different industries and in different locations?

- A) Significant and equal
- B) Marginal and equal
- C) Significant and unequal
- D) Insignificant and unequal
- E) No significant impact

Answer: C

Diff: 3

AACSB: Diverse and multicultural work environments

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

77) In general, what happens to American goods in overseas markets when there is a strong dollar?

- A) They are less expensive.
- B) They are more attractive.
- C) They are cheaper.
- D) They are more expensive.
- E) They are desirable.

Answer: D

Diff: 2

AACSB: Diverse and multicultural work environments

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

78) It is predicted that the United States will have how many racial or ethnic majorities by the year 2075?

- A) None
- B) One
- C) Two
- D) Three
- E) Five

Answer: A

Diff: 2

AACSB: Diverse and multicultural work environments

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

- 79) The United States' population is
- A) getting younger and less white.
 - B) getting younger and more white.
 - C) getting older and less white.
 - D) getting older and more white.
 - E) remaining stable as to age and racial make up.

Answer: C

Diff: 2

AACSB: Diverse and multicultural work environments

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

- 80) The world population is expected to grow to an estimated _____ billion in 2054.
- A) 6
 - B) 7
 - C) 8
 - D) 9
 - E) 10

Answer: D

Diff: 2

AACSB: Diverse and multicultural work environments

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

- 81) Hawaii, California, and _____ already have no majority race or ethnic group.
- A) New York
 - B) New Jersey
 - C) New Hampshire
 - D) New Mexico
 - E) all of the above

Answer: D

Diff: 2

AACSB: Diverse and multicultural work environments

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

82) Who are the world's longest-living people?

- A) Americans
- B) Mexicans
- C) Indians
- D) Filipinos
- E) Japanese

Answer: E

Diff: 2

AACSB: Diverse and multicultural work environments

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

83) The historical trend of people moving from _____ has dramatically slowed.

- A) the Northeast to the Sunbelt
- B) the West to the Midwest
- C) the Northeast to the Midwest
- D) the Sunbelt to the West
- E) the West to the Northeast

Answer: A

Diff: 2

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

84) According to the U.S. Bureau of Labor Statistics, which of the following is TRUE?

- A) The percent of wage and salary workers who were members of a union in the USA increased from 2010 to 2011.
- B) Workers in education, training and library occupations had the highest unionization rate.
- C) Black workers were less likely to be union members than were white, Asian, or Hispanic workers.
- D) Private sector workers had a union membership rate more than five times higher than that of public-sector workers.
- E) Among states, North Carolina had the highest union membership rate.

Answer: B

Diff: 1

Objective: 7.01 Discuss the nature and role of labor unions in the USA as a corporate strategic issue.

Learning Outcome: Explain how to evaluate a firm's external environment

85) When an industry relies heavily on government contracts, which forecasts can be the most important part of an external audit?

- A) Economic
- B) Political
- C) Technological
- D) Competitive
- E) Multinational

Answer: B

Diff: 3

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

86) Changes in which of the following can significantly affect firms?

- A) Patent laws
- B) Antitrust legislation
- C) Tax rates
- D) Lobbying activities
- E) All of the above

Answer: E

Diff: 2

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

87) Many economists say the current rash of trade constraints will make it _____ for global economic growth.

- A) easier
- B) impossible
- C) harder
- D) more likely
- E) less time-consuming

Answer: C

Diff: 2

AACSB: Diverse and multicultural work environments

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

88) _____ perhaps has instituted the most protectionist measures in recent months by raising tariffs on most imports and subsidizing its own exports.

- A) Russia
- B) The United States
- C) The EU
- D) India
- E) Switzerland

Answer: A

Diff: 2

AACSB: Diverse and multicultural work environments

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

89) Which of the following has largely refrained from protectionist measures?

- A) the EU
- B) the U.S.A.
- C) India
- D) Russia
- E) All of the above

Answer: B

Diff: 2

AACSB: Diverse and multicultural work environments

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

90) All of the following are political, governmental, and legal variables that can represent key opportunities or threats to organizations EXCEPT

- A) special tariffs.
- B) environmental protection laws.
- C) world oil, currency, and labor markets.
- D) legislation on equal employment.
- E) population changes by race, age, sex, and level of affluence.

Answer: E

Diff: 3

AACSB: Diverse and multicultural work environments

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

91) Not all sectors of the economy are equally affected by technological developments; the _____ industry is much more volatile than the _____ industry.

- A) textile; communications
- B) pharmaceutical; forestry
- C) metals; electronics
- D) forestry; communications
- E) textile; pharmaceutical

Answer: B

Diff: 1

AACSB: Information technology

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

92) Which of the following sectors of the economy would be most impacted by technological developments?

- A) Forestry
- B) Aeronautics
- C) Textiles
- D) Metals
- E) Cloth

Answer: B

Diff: 2

AACSB: Information technology

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

93) Collecting and evaluating information on competitors is essential for successful

- A) internal analysis.
- B) strategy evaluation.
- C) strategy formulation.
- D) strategy implementation.
- E) strategy correction.

Answer: C

Diff: 2

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

94) Competition in virtually all industries is

- A) nonexistent.
- B) intense.
- C) never cutthroat.
- D) easily avoidable.
- E) insignificant.

Answer: B

Diff: 2

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

95) Which of the following is NOT a characteristic that describes the most competitive companies in America?

- A) Divestiture is essential to growth.
- B) Hire and retain the best employees and managers possible.
- C) Continually adapt, innovate, improve—especially when the firm is successful.
- D) Strive to stay cost-competitive on a global basis.
- E) Whether it's broke or not, fix it.

Answer: A

Diff: 2

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

96) A systematic and ethical process for gathering and analyzing information about the competition's activities and general trends to further a business' own goals is called

- A) unethical business practices.
- B) artificial intelligence.
- C) competitive intelligence.
- D) industrial espionage.
- E) competitive advantage.

Answer: C

Diff: 2

AACSB: Ethical understanding and reasoning

Objective: 7.09 Discuss the importance of gathering competitive intelligence.

Learning Outcome: Explain how to evaluate a firm's external environment

- 97) _____ is NOT a basic mission of a competitive intelligence program.
- A) Providing a general understanding of an industry
 - B) Providing a general understanding of a company's competitors
 - C) Identifying industry executives who could be hired by the firm
 - D) Identifying areas in which competitors are vulnerable and assessing the impact strategic actions would have on competitors
 - E) Identifying potential moves a competitor might make that would endanger a firm's position in the market

Answer: C

Diff: 3

AACSB: Ethical understanding and reasoning

Objective: 7.09 Discuss the importance of gathering competitive intelligence.

Learning Outcome: Explain how to evaluate a firm's external environment

- 98) Which statement about business intelligence is accurate?
- A) Intelligence gathering is an unethical business practice.
 - B) Running an intelligence program requires many people.
 - C) Running an intelligence program requires many computers and other resources.
 - D) Collecting intelligence about competitors violates antitrust laws.
 - E) Business intelligence is not equal to espionage.

Answer: E

Diff: 2

AACSB: Ethical understanding and reasoning

Objective: 7.09 Discuss the importance of gathering competitive intelligence.

Learning Outcome: Explain how to evaluate a firm's external environment

- 99) The responsibilities of a director of competitive analysis include all of the following EXCEPT
- A) researching special issues.
 - B) disseminating information on a timely basis.
 - C) recognizing what information is important and who needs to know.
 - D) conducting corporate espionage.
 - E) analyzing data.

Answer: D

Diff: 1

AACSB: Ethical understanding and reasoning

Objective: 7.09 Discuss the importance of gathering competitive intelligence.

Learning Outcome: Explain how to evaluate a firm's external environment

100) Market commonality can be defined as

- A) the number and significance of markets that a firm competes in with rivals.
- B) the number and significance of points in common a firm has with its rivals.
- C) the extent to which the type of a firm's internal resources are comparable to a rival.
- D) the extent to which the amount of a firm's internal resources are comparable to a rival.
- E) none of the above

Answer: A

Diff: 3

Objective: 7.10 Discuss market commonality and resource similarity in relation to competitive analysis.

Learning Outcome: Explain how to evaluate a firm's external environment

101) Intensity of competition _____ in lower-return industries.

- A) is lowest
- B) is nonexistent
- C) is highest
- D) is not important
- E) fluctuates

Answer: C

Diff: 2

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

102) What is NOT one of Michael Porter's five competitive forces?

- A) New entrants
- B) Rivalry among existing firms
- C) Bargaining power of unions
- D) Bargaining power of suppliers
- E) Bargaining power of buyers

Answer: C

Diff: 1

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

103) According to Porter, what is usually the most powerful of the five competitive forces?

- A) Potential development of substitute products
- B) Bargaining power of suppliers
- C) Bargaining power of consumers
- D) Rivalry among competing firms
- E) Potential entry of new competitors

Answer: D

Diff: 3

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

104) Whenever new firms can easily enter a particular industry, the intensity of competitiveness among firms tends to

- A) stay the same.
- B) increase.
- C) decrease.
- D) neutralize.
- E) become irrelevant.

Answer: B

Diff: 1

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

105) If suppliers are unreliable or too costly, which of these strategies may be appropriate?

- A) Horizontal integration
- B) Backward integration
- C) Market penetration
- D) Forward integration
- E) Concentric diversification

Answer: B

Diff: 2

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

106) What level of bargaining power do consumers have when the products being purchased are standard or undifferentiated?

- A) Marginal
- B) Low
- C) High
- D) Negative
- E) Negligible

Answer: C

Diff: 2

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

107) A company website _____ information about a firm.

- A) is a good place to start to find
- B) is not a reliable source of
- C) is only acceptable as a last resort for
- D) should not be used as the first place to look for
- E) is a waste of time when searching for

Answer: A

Diff: 1

AACSB: Information technology

Objective: 7.04 Describe key sources of external information.

Learning Outcome: Explain how to evaluate a firm's external environment

108) What are educated assumptions about future trends and events called?

- A) Wild guesses
- B) Forecasts
- C) Facts
- D) Statistics
- E) Premonitions

Answer: B

Diff: 2

Objective: 7.05 Discuss important forecasting tools used in strategic management.

Learning Outcome: Explain how to evaluate a firm's external environment

109) Without assumptions, planning would be

- A) impossible.
- B) easier.
- C) difficult.
- D) inexpensive.
- E) intuitive.

Answer: A

Diff: 2

Objective: 7.05 Discuss important forecasting tools used in strategic management.

Learning Outcome: Explain how to evaluate a firm's external environment

110) Unpublished sources of external strategic information include all of the following EXCEPT

- A) abstracts.
- B) customer surveys.
- C) market research.
- D) speeches at professional and shareholders' meetings.
- E) conversations with stakeholders.

Answer: A

Diff: 3

Objective: 7.04 Describe key sources of external information.

Learning Outcome: Explain how to evaluate a firm's external environment

111) Which of the following is NOT a published source of external strategic information?

- A) periodicals
- B) television programs
- C) journals
- D) reports
- E) directories

Answer: B

Diff: 2

Objective: 7.04 Describe key sources of external information.

Learning Outcome: Explain how to evaluate a firm's external environment

112) Standard and Poor's Industry Surveys include all of the following sections EXCEPT

- A) Historic Environment.
- B) Industry Trends.
- C) How to Analyze a Company.
- D) Glossary of Industry Terms.
- E) Comparative Company Financial Analysis.

Answer: A

Diff: 2

Objective: 7.04 Describe key sources of external information.

Learning Outcome: Explain how to evaluate a firm's external environment

113) A total weighted score of _____ in an EFE Matrix indicates that the firm's strategies are NOT capitalizing on opportunities or avoiding external threats.

- A) 0.0
- B) 1.0
- C) 2.5
- D) 7.3
- E) 4.0

Answer: B

Diff: 1

Objective: 7.07 Explain how to develop an EFE Matrix.

Learning Outcome: Explain how to evaluate a firm's external environment

- 114) What is the first step in designing an EFE Matrix?
- A) Identifying key external factors in the industry
 - B) Summing the weighted score for each competitor
 - C) Calculating the sales of each competitor
 - D) Drawing the horizontal and vertical lines for the matrix
 - E) Determining four competitors

Answer: A

Diff: 2

Objective: 7.07 Explain how to develop an EFE Matrix.

Learning Outcome: Explain how to evaluate a firm's external environment

- 115) What is the range for a firm's total weighted score in an External Factor Evaluation Matrix?
- A) 0 to 5
 - B) 0 to 4
 - C) 1 to 5
 - D) 1 to 4
 - E) 0 to 10

Answer: D

Diff: 2

Objective: 7.07 Explain how to develop an EFE Matrix.

Learning Outcome: Explain how to evaluate a firm's external environment

- 116) One difference between CPM and EFE is that

- A) CPM includes both internal and external issues.
- B) the weights and total weighted scores have different meanings.
- C) CPM ratings range from 1 to 10.
- D) CPM is performed only for the company, whereas EFE is performed for both the company and its competitors.
- E) CPM is only used in small firms.

Answer: A

Diff: 3

Objective: 7.08 Explain how to develop a Competitive Profile Matrix.

Learning Outcome: Explain how to evaluate a firm's external environment

- 117) What are the five major types of external forces that should be examined as part of an external audit? Give an example of each type of force.

Answer: External forces can be divided into five broad categories: 1) economic forces, 2) social, cultural, demographic and natural environment forces, 3) political, governmental and legal forces, 4) technological forces and 5) competitive forces. Examples of each are as follows: 1) level of disposable income, 2) immigration and emigration rates, 3) voter participation rates, 4) technological advancements, and 5) potential moves a competitor could make.

Diff: 2

AACSB: Application of knowledge

Objective: 7.02 Describe how to conduct an external strategic-management audit.

Learning Outcome: Explain how to evaluate a firm's external environment

118) Discuss the process of performing an external audit.

Answer: To perform an external audit, a company first must gather competitive intelligence and information about economic, social, cultural, demographic, environmental, political, governmental, legal and technological trends. Once information is gathered, it should be assimilated and evaluated. A meeting or series of meetings of managers is needed to collectively identify the most important opportunities and threats facing the firm. These key external factors should be listed on flip charts or a blackboard. A prioritized list of these factors could be obtained by requesting that all managers rank the factors identified, from 1 for the most important opportunity/threat to 20 for the least important opportunity/threat.

Diff: 2

Objective: 7.02 Describe how to conduct an external strategic-management audit.

Learning Outcome: Explain how to evaluate a firm's external environment

119) Discuss the I/O approach in relation to competitive advantage.

Answer: The I/O approach to competitive advantage advocates that external factors are more important than internal factors in a firm achieving competitive advantage. Proponents of the I/O view contend that organizational performance will be primarily determined by industry forces, rather than the firm's internal functional decisions made. Effective integration of both external and internal factors is the key to securing and keeping a competitive advantage.

Diff: 2

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

120) Identify five key economic variables that could represent major opportunities or threats to a bank in your town or city.

Answer: Student answers will vary. They might include interest rates, inflation rates, money market rates, availability of credit, and level of disposable income. Refer to Table 3-1 for a more comprehensive list.

Diff: 2

AACSB: Reflective thinking

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

121) List three opportunities and three threats that could represent key factors facing your college or university.

Answer: Student answers will vary. However, they should look at economic, social/cultural, political/legal, technological, and competitive factors. Lists for all categories of external forces are found in tables in the chapter.

Diff: 3

AACSB: Reflective thinking

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

122) Explain how the Internet is changing businesses around the world.

Answer: The Internet is changing the nature of opportunities and threats by altering the life cycles of products, increasing the speed of distribution, creating new products and services, erasing limitations of traditional geographic markets, and changing the historical trade-off between production standardization and flexibility. It has changed entry barriers and redefined the relationship between industries and various suppliers, creditors, customers and competitors. An emerging consensus holds that technology management is one of the key responsibilities of strategists.

Diff: 2

AACSB: Information technology

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

123) Do you agree or disagree that firms need a Corporate Intelligence (CI) program? Discuss.

Answer: Agree. Firms need an effective competitive intelligence (CI) program. The three basic missions of a CI program are 1) to provide a general understanding of an industry and its competitors, 2) to identify areas in which competitors are vulnerable and to assess the impact strategic actions would have on competitors and 3) to identify potential moves a competitor might make that would endanger a firm's position in the market. An effective CI program allows all areas of a firm to access consistent and verifiable information in making decisions. CI is not corporate espionage because 95 percent of the information a company needs to make strategic decisions is available and accessible to the public. All the information you could wish for can be collected without resorting to unethical tactics.

Diff: 2

AACSB: Ethical understanding and reasoning

Objective: 7.09 Discuss the importance of gathering competitive intelligence.

Learning Outcome: Explain how to evaluate a firm's external environment

124) According to Michael Porter, what are the five competitive forces that create vital opportunities and threats for organizations? Which force do you feel is most important in the computer industry today? Why?

Answer: The forces are: 1) rivalry among competing firms; 2) potential entry of new competitors; 3) potential development of substitute products; 4) bargaining power of suppliers; 5) bargaining power of consumers. The rest of the response will vary by student.

Diff: 3

AACSB: Reflective thinking

Objective: 7.03 Discuss 10 major external forces that affect organizations: economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive.

Learning Outcome: Explain how to evaluate a firm's external environment

125) Discuss the following statement: "Planning would be impossible without assumptions."

Answer: By identifying future occurrences that could have a major effect on the firm and by making reasonable assumptions about those factors, strategists can carry the strategic-management process forward. Assumptions are needed only for future trends and events that are most likely to have a significant effect on the company's business. Assumptions can serve as checkpoints on the validity of strategies. If future occurrences deviate significantly from assumptions, strategists know that corrective actions may be needed. Without reasonable assumptions, the strategy-formulation process could not proceed effectively. Firms that have the best information generally make the most accurate assumptions, which can lead to major competitive advantages.

Diff: 2

Objective: 7.05 Discuss important forecasting tools used in strategic management.

Learning Outcome: Explain how to evaluate a firm's external environment

126) List five steps that comprise an effective framework for conducting an EFE Matrix. Explain the details involved in performing any one of the steps.

Answer: The EFE Matrix can be developed in five steps: 1) list key external factors as identified in the external-audit process with a total of 20 factors, including both opportunities and threats that affect the firm and its industry; 2) assign to each factor a weight that ranges from 0.0 (not important) to 1.0 (very important) - the sum of all weights assigned to the factors must equal 1.0; 3) assign a 1 to 4 rating to each key external factor to indicate how effectively the firm's current strategies respond to the factor, where 4 = the response is superior, 3 = the response is above average, 2 = the response is average, and 1 = the response is poor; 4) multiply each factor's weight by its rating to determine a weighted score; and 5) sum the weighted scores for each variable to determine the total weighted score for the organization.

Diff: 2

Objective: 7.07 Explain how to develop an EFE Matrix.

Learning Outcome: Explain how to evaluate a firm's external environment

127) In a CPM, the ratings and total weighted scores for rival firms can be compared to the sample firm.

Answer: The Competitive Profile Matrix (CPM) identifies a firm's major competitors and its particular strengths and weaknesses in relation to a sample firm's strategic position. The weights and total weighted scores in both a CPM and EFE have the same meaning. However, critical success factors in a CPM include both internal and external issues; therefore, the ratings refer to strengths and weaknesses. Differences between the CPM and EFE include:

1. The critical success factors in a CPM are not grouped into opportunities and threats as they are in an EFE.
2. In a CPM, the ratings and total weighted scores for rival firms can be compared to the sample firm.

Diff: 2

Objective: 7.08 Explain how to develop a Competitive Profile Matrix.

Learning Outcome: Explain how to evaluate a firm's external environment

128) What is state of labor unions in the USA? How can unions affect businesses?

Answer: The size of U.S. labor unions has fallen sharply in the last decade as a result in large part of erosion of the U.S. manufacturing base. Huge declines of late in receipts of federal, state, and municipal governments has contributed to a sharp decline in the membership of public sector unions. Wisconsin recently passed a law eliminating most collective bargaining rights for the state's public-employee unions. The law sets a precedent that many other states may follow to curb union rights as a way to help state budgets become solvent. The extent to which a U.S. state is unionized can be a significant political factor in strategic planning decisions related to manufacturing plant locations and other operational matters. In Europe, German-based Lufthansa AG recently cancelled two-thirds of its airline flights as a result of an anticipated strike by its cabin crew. The union UFO represents 18,000 Lufthansa cabin-crew members who want higher wages. British Airways recently was hammered by the cabin-crew union Unite, costing the airline about \$250 million.

Diff: 2

Objective: 7.01 Discuss the nature and role of labor unions in the USA as a corporate strategic issue.

Learning Outcome: Explain how to evaluate a firm's external environment