|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1. Strategic competitiveness is achieved when a firm successfully formulates and implements a value-creating strategy.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |

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| 2. A strategy is an integrated and coordinated set of commitments and actions designed to exploit core competencies and gain a competitive advantage.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- |
| *ANSWER:* | True |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 3. A firm has a competitive advantage when it implements a strategy that competitors are unable to duplicate or find costly to imitate.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- |
| *ANSWER:* | True |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 4. To achieve competitiveness and above average returns, the strategic management process requires a market orientation.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 5. Above-average returns are returns in excess of what an investor expects to earn from other investments with a similar amount of risk.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| *ANSWER:* | True |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 6. Hypercompetition is a competitive landscape where assumptions about continually changing conditions are challenged.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- |
| *ANSWER:* | False |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 7. The risks of participating outside of a firm’s domestic country in the global economy are labelled a ‘liability of newness’.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- |
| *ANSWER:* | False |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 8. Firms that are capable of successfully competing in global markets may not need to worry about their home markets.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 9. When products become somewhat indistinguishable because of the widespread and rapid diffusion of technologies, speed to market may be the primary source of competitive advantage.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 10. *Perpetual innovation* is a term used to describe how rapidly and consistently new, information-intensive technologies replace older ones.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- |
| *ANSWER:* | True |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 11. Disruptive technologies create existing technologies and destroy new markets.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 12. Data and information give small organisations more flexibility to interact virtually.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 13. Knowledge is a critical organisational resource and an increasingly valuable source of competitive advantage.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 14. Strategic flexibility is a set of capabilities used to respond to various demands and opportunities existing in a dynamic and uncertain competitive environment.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 15. The industrial organisation (I/O) model suggests that above-average returns are earned when firms implement a strategy dictated by the characteristics of the general, industry and competitor environments.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 16. The resource-based model assumes that differences in resources and capabilities are the basis of a competitive advantage.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 17. The resource-based model assumes that core competencies are the basis of a firm’s competitive advantage.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 18. A core competency is the capacity for a set of resources to perform a task or an activity in an integrative manner.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |

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| 19. A firm’s mission tends to be enduring while its vision can change in view of changing environmental conditions.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 20. Stakeholders the individuals and groups who are interested in the organisation’s strategic outcomes and performance.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 21. Customers, suppliers, unions and local governments are examples of capital market stakeholders.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 22. Organisational stakeholders are a firm’s internal resources, capabilities and core competencies that are used to accomplish what may at first appear to be unattainable goals in the competitive environment.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- |
| *ANSWER:* | False |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 23. Employees, managers and non-managers are examples of organisational stakeholders.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- |
| *ANSWER:* | True |

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| 24. Organisational culture refers to the core values shared by a firm’s managers but not necessarily by its lower-level employees.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- |
| *ANSWER:* | False |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 25. A profit pool includes the total profits earned in an industry at all points along the value chain.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 26. What has a firm achieved when it successfully formulates and implements a value-creating strategy?

|  |  |  |
| --- | --- | --- |
|   | a.  | Strategic competitiveness |
|   | b.  | A permanently sustainable competitive advantage |
|   | c.  | Substantial returns |
|   | d.  | Average returns |

|  |  |
| --- | --- |
| *ANSWER:* | a |

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| 27. A firm has a competitive advantage when:

|  |  |  |
| --- | --- | --- |
|   | a.  | the value-creating strategy is in the formulation stage |
|   | b.  | competitors are simultaneously implementing the strategy |
|   | c.  | competitors are not able to duplicate the strategy |
|   | d.  | average returns are earned by the company |

|  |  |
| --- | --- |
| *ANSWER:* | c |

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| 28. Returns are often measured by:

|  |  |  |
| --- | --- | --- |
|   | a.  | the level of innovation within the organisation |
|   | b.  | the basis of stock market yields |
|   | c.  | the number of industries in which the firm participates |
|   | d.  | the number of customers the organisation serves |

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| --- | --- |
| *ANSWER:* | b |

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| 29. The strategic management process is:

|  |  |  |
| --- | --- | --- |
|   | a.  | a set of activities that is guaranteed to prevent organisational failure |
|   | b.  | a process concerned with a firm’s resources, capabilities and competencies, but not with conditions in its external environment |
|   | c.  | a set of activities that have been designed to achieve average returns |
|   | d.  | a full set of commitments, decisions and actions required for competitiveness |

|  |  |
| --- | --- |
| *ANSWER:* | d |

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| 30. Risk is an investors uncertainty:

|  |  |  |
| --- | --- | --- |
|   | a.  | about their financial management and investments |
|   | b.  | about the economic gains or losses that will result from a particular investment |
|   | c.  | about the of activities that have been designed to achieve above-average returns |
|   | d.  | which reduces over time as decisions and actions are required for competitiveness |

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| --- | --- |
| *ANSWER:* | b |

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| 31. The global economy is:

|  |  |  |
| --- | --- | --- |
|   | a.  | one in which goods, services, peoples, skills and ideas move freely across geographic borders |
|   | b.  | a process of technological change concerned with a firm’s resources, capabilities and competencies |
|   | c.  | is a critical challenge to successful competition |
|   | d.  | a significant influence on competitive performance |

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| --- | --- |
| *ANSWER:* | a |

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| 32. Which of the following is *not* a characteristic of hypercompetition?

|  |  |  |
| --- | --- | --- |
|   | a.  | competition to generate more customers from underdeveloped markets |
|   | b.  | competition to protect or invade established product or geographic markets |
|   | c.  | competition to create new know-how and establish first-mover advantage |
|   | d.  | price-quality positioning |

|  |  |
| --- | --- |
| *ANSWER:* | a |

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| 33. Which of the following is *not* a risk of globalisation?

|  |  |  |
| --- | --- | --- |
|   | a.  | the amount of time required to learn how to compete in unfamiliar markets |
|   | b.  | increased diversity in the workforce |
|   | c.  | over-diversification internationally beyond capabilities to manage operations |
|   | d.  | new rules of law and governance |

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| --- | --- |
| *ANSWER:* | b |

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| 34. Technological diffusion is:

|  |  |  |
| --- | --- | --- |
|   | a.  | the impact technological change has on organisations |
|   | b.  | the advent of advanced technologies such as AI and the internet of things |
|   | c.  | the speed at which new technologies become available and used |
|   | d.  | about increasing knowledge intensity and the information age |

|  |  |
| --- | --- |
| *ANSWER:* | c |

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| 35. To be strategically flexible on a continuing basis and to gain the competitive benefits of such flexibility, a firm has to develop the capacity to:

|  |  |  |
| --- | --- | --- |
|   | a.  | understand customer needs |
|   | b.  | learn |
|   | c.  | work closely with suppliers |
|   | d.  | observe competitors carefully |

|  |  |
| --- | --- |
| *ANSWER:* | b |

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| 36. Research findings support the I/O model, in that approximately \_\_\_\_\_\_\_\_ of a firm’s profitability can be explained by the industry in which it chooses to compete. However, this research also shows that \_\_\_\_\_\_\_\_ of the variance in profitability could be attributed to the firm’s characteristics and actions.

|  |  |  |
| --- | --- | --- |
|   | a.  | 24 per cent; 40 per cent |
|   | b.  | 22 per cent; 42 per cent |
|   | c.  | 20 per cent; 36 per cent |
|   | d.  | 26 per cent; 38 per cent |

|  |  |
| --- | --- |
| *ANSWER:* | c |

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| 37. The I/O model argues that:

|  |  |  |
| --- | --- | --- |
|   | a.  | internal resources and capabilities represent the foundation for the development of a value-creating strategy |
|   | b.  | firms should seek to maximise their returns by structuring their organisation in a manner consistent with the most efficient producers in any given industry |
|   | c.  | the conditions and characteristics of the external environment are the primary inputs to and determinants of strategy |
|   | d.  | internationalisation in certain industries will lead to globalisation |

|  |  |
| --- | --- |
| *ANSWER:* | c |

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| 38. The resource-based view of the firm:

|  |  |  |
| --- | --- | --- |
|   | a.  | suggests that resources, rather than capabilities, are more closely linked with sustainable competitive advantage |
|   | b.  | argues that the industry environment has a stronger influence on a firm’s ability to implement strategies successfully than the competitor environment |
|   | c.  | calls for firms to focus on their homogeneous skills to compete against their rivals |
|   | d.  | assumes that resources may not be mobile across firms |

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| --- | --- |
| *ANSWER:* | d |

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| 39. Which of the following are the three key categories of firm resources?

|  |  |  |
| --- | --- | --- |
|   | a.  | Physical, knowledge and organisational |
|   | b.  | Physical, human and organisational |
|   | c.  | Physical, technological and human |
|   | d.  | Physical, technological and reputational |

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| --- | --- |
| *ANSWER:* | b |

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| 40. The resource-based model of the firm contends that:

|  |  |  |
| --- | --- | --- |
|   | a.  | resources that are valuable, rare, costly to imitate and non-substitutable form the basis of a firm’s competitive advantage |
|   | b.  | the key to competitive success is the structure of the industry in which a firm competes |
|   | c.  | resources have the potential to be the basis of sustained competitive advantage |
|   | d.  | competencies are not a source of potential competitive advantage |

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| *ANSWER:* | a |

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| 41. A statement that articulates the ideal description of an organisation and gives shape to its intended future is a:

|  |  |  |
| --- | --- | --- |
|   | a.  | strategic mission |
|   | b.  | strategic vision |
|   | c.  | strategic idea |
|   | d.  | strategic objective |

|  |  |
| --- | --- |
| *ANSWER:* | b |

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| 42. A mission statement should clearly specify:

|  |  |  |
| --- | --- | --- |
|   | a.  | the stakeholders’ expectations on return on investment |
|   | b.  | the firm’s intended business and customers |
|   | c.  | the conditions of the industry in which the firm operates |
|   | d.  | the conditions in the firm’s external and internal environments |

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| --- | --- |
| *ANSWER:* | b |

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| 43. Deciding a firm’s vision and mission statements requires:

|  |  |  |
| --- | --- | --- |
|   | a.  | business ethics as a vital part of discussions |
|   | b.  | foundation strategies to be implemented |
|   | c.  | specifying the industry in which the firm intends to compete |
|   | d.  | a firm develops its strategic intent |

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| *ANSWER:* | a |

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| 44. Capital market stakeholders include:

|  |  |  |
| --- | --- | --- |
|   | a.  | unions |
|   | b.  | employees |
|   | c.  | shareholders |
|   | d.  | government regulators |

|  |  |
| --- | --- |
| *ANSWER:* | c |

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| 45. Product market stakeholders include a firm’s customers. The principal concern of this stakeholder group is:

|  |  |  |
| --- | --- | --- |
|   | a.  | maximising the firm’s return on investment |
|   | b.  | providing a stimulating career environment for employees |
|   | c.  | obtaining reliable products at the lowest possible price |
|   | d.  | increasing the profitability of the firm |

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| --- | --- |
| *ANSWER:* | c |

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| 46. Generally speaking, capital market stakeholders are satisfied when:

|  |  |  |
| --- | --- | --- |
|   | a.  | a firm preserves and enhance the wealth they have entrusted to it. |
|   | b.  | a firm’s profit margin yields an above-average return to its capital market stakeholders |
|   | c.  | the interests of a firm’s organisational stakeholders have been maximised |
|   | d.  | a firm grounds its operations in the principles of the resource-based view of the firm rather than the principles of the I/O model |

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| --- | --- |
| *ANSWER:* | a |

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| 47. Organisational stakeholders are usually satisfied when:

|  |  |  |
| --- | --- | --- |
|   | a.  | workplace understands their customers |
|   | b.  | they don’t have to do teamwork |
|   | c.  | leaders are productively critical |
|   | d.  | companies are growing and helping individuals develop their skills |

|  |  |
| --- | --- |
| *ANSWER:* | d |

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| 48. The natural world is an important stakeholder because:

|  |  |  |
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|   | a.  | of the vital issue of its depletion of human actions |
|   | b.  | well organised, well-funded environmental groups representing the interests of nature means trouble |
|   | c.  | individuals and groups who have invested capital in a firm expect a positive return on their investment |
|   | d.  | corporate social responsibility (CSR) has become a major interest and very topical as an issue for many global organisations, and a major factor in corporate governance |

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| *ANSWER:* | d |

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| 49. Strategic leaders are:

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|   | a.  | the CEO and top-level managers of a firm |
|   | b.  | people who are affected by a firm’s performance and who have claims on its performance |
|   | c.  | the individuals and groups who have invested capital in a firm in the expectation of earning positive return on their investment |
|   | d.  | people located in different parts of the firm using the strategic management process to help the firm reach its vision and mission |

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| *ANSWER:* | d |

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| 50. Organisational culture is:

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|   | a.  | an appreciation for the arts in the organisation |
|   | b.  | an organisation’s ability to act in a responsible manner towards all of its employees |
|   | c.  | the amount of a firm’s social activity in the community |
|   | d.  | the complex set of ideologies, symbols and core values shared by most members of the organisation |

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| *ANSWER:* | d |

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| 51. The work of effective strategic leaders is characterised by:

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|   | a.  | innovative thinking and change in the dynamic competitive landscape |
|   | b.  | high income levels |
|   | c.  | a high level of certainty in the organisation |
|   | d.  | a lack of ability to affect the firm’s direction |

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| *ANSWER:* | a |

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| 52. Which of the following is not a step in identifying profit pools?

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|   | a.  | Define the pool’s boundaries. |
|   | b.  | Estimate the pool’s overall size. |
|   | c.  | Estimate the pool’s effect on current activities. |
|   | d.  | Estimate the size of the value-chain activity in the pool. |
|   | e.  | Reconcile the calculations. |

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| *ANSWER:* | c |

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| 53. Almost all strategic management process decisions have ethical dimensions because:

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|   | a.  | ethics are dictated by an organisation’s culture |
|   | b.  | they are related to how an organisation interacts with its stakeholders |
|   | c.  | actions of employees demand review |
|   | d.  | decisions are a part of the strategic management process |

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| *ANSWER:* | b |

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| 54. Describe the steps of the strategic management process.

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| *ANSWER:* | The firm’s first step in the process is to analyse its external environment and internal organisation to determine its resources, capabilities and core competencies – the sources of its ‘strategic inputs’.With the information gained from external and internal analyses, the firm develops its vision and mission and formulates one or more strategies. To implement its strategies, the firm takes actions towards achieving strategic competitiveness and above-average returns. Effective strategic actions that take place in the context of carefully integrated strategy formulation and implementation efforts result in positive outcomes. This dynamic strategic management process must be maintained as ever-changing markets and competitive structures are coordinated with a firm’s continuously evolving strategic inputs. |

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| 55. Why is strategy important for a firm to achieve a competitive advantage?

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| *ANSWER:* | Organisations undertake a strategic management process to achieve competitive advantage in order to gain above average returns.  The strategic management process involves analysis of the external environment and the internal situation of the firm providing information which can be used to formulate strategies which can help the firm avoid risk and effectively implement its efforts to achieve positive outcomes such as competitive advantage and above average returns. |

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| 56. What is globalisation? What are the benefits and risks for an organisation operating in a global marketplace?

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| *ANSWER:* | Globalisation is the increasing economic interdependence among countries and their organisations as reflected in the flow of financial capital, knowledge and goods and services across borders. The benefits of globalisation include increased access to capital resources and higher performance standards in quality, productivity, cost, product introduction time and operational efficiency. In general, global organisations have greater access to both skilled and unskilled workers, and can access multiple markets to obtain the resources necessary to remain competitive. Organisations engaging in global operations must ensure they are culturally sensitive to the values and norms of the host country, and must overcome the ‘liability of foreignness’. Additional risks of operating globally include the time delay associated with learning how to compete in markets that are new to them and the possibility of over-diversification, which may result in ineffective management of the business’s global operations. |

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| 57. What are some of the effects that disruptive technologies have on the competitive landscape?

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| *ANSWER:* | Disruptive technologies represent a contrast to predictable technology diffusion because they don’t follow a predictable pattern of emergence and evolution from expected sources of development.  Disruptive technologies are so called because they disrupt the expected pattern of industry development with value-destroying technologies. These technologies create new markets and present radical innovations, which cause a departure from the established patterns of competition and advantage. |

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| 58. Describe the industrial organisation (I/O) model of strategy.

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| *ANSWER:* | The I/O model is grounded in economics and argues that the external environment is the primary determinant of a firm’s success. The model has four underlying assumptions. First, the external environment is assumed to impose pressures and constraints that determine the strategies that will result in superior performance. Second, most firms competing within a particular industry, or in a certain segment of the industry, are assumed to control similar strategically relevant resources and to pursue similar strategies in light of those resources. Third, resources used to implement strategies are mobile across firms, which results in resource differences between firms being short lived. Fourth, organisational decision makers are assumed to be rational and committed to acting in the firm’s best interests, as shown by their profit-maximising behaviours. The challenge for firms within the I/O model is to find the best industries in which to compete. |

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| 59. Describe and discuss the resource-based model of above-average returns.

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| *ANSWER:* | According to the resource-based model, differences in an organisation’s performancesacross time are due primarily to its unique resources and capabilities. Thus, the resource-based model focuses on the internal resources and capabilities of a firm as a source of competitive advantage. The model assumes that each firm is a collection of unique resources and capabilities, which should be the basis of the organisation’s strategy and its ability to earn above-average returns. Resources are not highly mobile across firms. All firms within a particular industry may not possess the same strategically relevant resources and capabilities. Not all of an organisation’s resources and capabilities have the potential to be the foundation for a competitive advantage. This potential is realised when resources and capabilities are valuable, rare, costly to imitate and non-substitutable. |

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| 60. How does knowledge contribute to the competitive standing of an organisation? Is knowledge a tangible or intangible resource of the organisation?

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| *ANSWER:* | Knowledge (information, intelligence and expertise) is the basis of technology and its application. In the competitive landscape of the twenty-first century, knowledge is a critical organisational resource and an increasingly valuable source of competitive advantage. Organisational knowledge is gained through experience, observation and inference; it is an intangible resource. The value of intangible resources, such as knowledge, is increasing as a proportion of total shareholder value in today’s competitive environment. The probability of achieving strategic competitiveness is enhanced for firms that develop the ability to capture intelligence, transform it into useable knowledge, and diffuse it rapidly throughout the company. Organisations must develop and acquire knowledge, integrate it into the organisation to create capabilities and then apply it to gain a competitive advantage. Continuous learning provides the firm with new and up-to-date skill sets, which allow it to adapt to its environment as it encounters changes. Firms capable of rapidly and broadly applying what they have learnt exhibit the strategic flexibility and capacity to change in ways that will increase the probability of successfully dealing with uncertain, hypercompetitive environments. |

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| 61. Describe and discuss the roles of a firm’s vision and mission as strategic inputs.

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| *ANSWER:* | Strategic vision is a picture of what the firm wants to be and, in broad terms, what it wants to ultimately achieve. A vision statement articulates the ideal description of the organisation and gives shape to its intended future. It points the firm in the direction of where it would eventually like to be in the years to come. A vision stretches and challenges people and evokes emotions and dreams. The vision is the foundation for the firm’s mission.The strategic mission is a statement of a firm’s unique purpose and the scope of its operations in product and market terms. The mission provides the general description of the products a firm intends to produce and the market(s) it will serve. The mission should establish the unique nature of the firm and give employees a general direction that the firm should pursue.An organisation’s vision and mission are critical aspects of the strategic inputs required to engage in strategic actions that help to achieve strategic competitiveness and earn above-average returns. Therefore, organisations must accept the challenge of forming effective vision and mission statements |

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| 62. Describe an organisation’s various stakeholders and their different interests.

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| *ANSWER:* | Stakeholders can be separated into at least four groups. They are the individuals and groups who can affect and are affected by the strategic outcomes achieved and who have enforceable claims on a firm’s performance. There are three principal types of stakeholders and the natural environment(as represented by activist groups). First, there are the capital market stakeholders, which include the shareholders and the major suppliers of capital to the firm. They are most interested in the return on capital and the firm’s profitability. The second group of stakeholders are the product market stakeholders, which include customers, suppliers, host communities and unions representing workers. The customers seek a reliable product at the lowest possible price. The suppliers seek assured customers willing to pay the highest sustainable price. Host communities want companies willing to be long-term employers and providers of tax revenues. Union officials want secure jobs with good working conditions for the workers they represent. The final group of stakeholders are the organisational stakeholders. This group includes the employees (both managerial and non-managerial). These stakeholders expect a firm to provide a dynamic, stimulating and rewarding work environment. |

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| 63. Who are strategic leaders and what determines the effectiveness of their work?

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| *ANSWER:* | Strategic leaders are people located in different parts of a firm who use the strategic management process to help the firm reach its vision and mission. Successful strategic leaders are decisive and committed to nurturing people around them. CEOs and other top-level managers are not the only strategic leaders; there are many people in today’s organisations who help choose a firm’s strategy and then determine the actions to be taken to successfully implement it. Hard work, thorough analysis, a willingness to be brutally honest, a desire for the firm and its people to accomplish more, and common sense are prerequisites of a successful strategic leader. Effective strategic leaders set an ethical tone in their firms. |

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