

**CHAPTER 5**  
**COMPETITIVE ADVANTAGE AND STRATEGIC MANAGEMENT FOR**  
**PERFORMANCE EXCELLENCE**

**TRUE/FALSE QUESTIONS**

1. Core competence process by which the members of an organization envision its future and develop the necessary procedures and operations to carry out that vision.  
Answer: False  
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2. Improved conformance in production leads to lower manufacturing and service costs.  
Answer: True  
AACSB: Reflective Thinking  
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3. Market share is inversely related to perceived value of a product.  
Answer: True  
AACSB: Reflective Thinking  
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4. Firms focused on differentiation produce high volumes of mature products and achieve their competitive advantage through low prices.  
Answer: False  
AACSB: Reflective Thinking  
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5. High productivity and high capacity utilization leads to higher prices.  
Answer: False  
AACSB: Reflective Thinking  
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6. Minimizing the number of parts, eliminating fasteners, making parts symmetric whenever possible, avoiding rigid and stiff parts, and using one-sided assembly designs are some of the approaches companies use to achieve cost leadership for high-volume products.

Answer: True  
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7. Having a manufacturing system designed for flexible sequence of operations is a strategy used for cost-leadership for high-volume products.

Answer: False  
AACSB: Reflective Thinking  
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8. Often, a firm with a cost-leadership strategy can command premium prices and achieve higher profits.

Answer: False  
AACSB: Reflective Thinking  
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9. The competitive advantage resulting from an organization's people can drive low cost and differentiation.

Answer: True  
AACSB: Reflective Thinking  
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10. The Taylor philosophy contributed to the development of a cooperative relationship between labor and management.

Answer: False  
AACSB: Reflective Thinking  
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11. The most significant feature of the Taylor system was its focus on using the knowledge and creativity of the workforce.

Answer: False  
AACSB: Reflective Thinking  
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12. Traditional management strategists advocated focusing on a single quality-related dimension.

Answer: True  
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13. Durability refers to the probability of a product's surviving over a specified period of time under stated conditions of use:  
Answer: False  
AACSB: Analytic  
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14. The horsepower of an engine or the sound quality of a stereo amplifier are examples of the feature dimension of product quality.  
Answer: False  
AACSB: Reflective Thinking  
Page: 197
15. Design review is a technique in quality engineering in which formal statistical experiments are applied to determine the best combinations of product and process parameters for high quality and low cost.  
Answer: False  
AACSB: Analytic  
Page: 198
16. Two key components of service system quality are employees and information technology.  
Answer: True  
AACSB: Analytic  
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17. Attractive facilities, appropriately dressed employees, and well-designed forms that are easy to read and interpret are examples of the 'tangibles' dimension of service quality.  
Answer: True  
AACSB: Analytic  
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18. Flexibility refers to the ability to produce a wide range of products and options.  
Answer: False  
AACSB: Analytic  
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19. Standard products are the basis for cost-leadership.  
Answer: True

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20. According to the principles of TQ, a customer-focused organization and a process orientation are necessary prerequisites for agility.  
Answer: True  
AACSB: Analytic  
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21. Success with the positive side of quality depends heavily on creativity.  
Answer: True  
AACSB: Reflective Thinking  
Page: 205
22. The total time required by a company to deliver a finished product is referred to as the cycle time.  
Answer: False  
AACSB: Analytic  
Page: 205
23. Significant reductions in cycle time can be achieved by focusing on individual subprocesses.  
Answer: False  
AACSB: Reflective Thinking  
Page: 206
24. Measurement activities are best viewed in terms of outputs from the production system.  
Answer: False  
AACSB: Reflective Thinking  
Page: 208
25. Quality levels, productivity, cycle time, and cost are examples of the Internal Perspective in a balanced scorecard.  
Answer: False  
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26. “Change the business” measures are those most critical to the achievement of strategic objectives and evaluate organizational performance.  
Answer: True  
AACSB: Analytic  
Page: 209
27. One way of viewing the role of quality in strategic planning is to examine how quality and performance excellence are reflected in an organization’s strategy.  
Answer: True  
AACSB: Reflective Thinking  
Page: 209
28. The vision is deployed through the development and execution of annual policy statements.  
Answer: True  
AACSB: Analytic  
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29. In the hoshin planning process, policy deployment starts with the production employees of the company.  
Answer: False  
AACSB: Analytic  
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30. Affinity diagrams allows for “lateral thinking” rather than “linear thinking.”  
Answer: False  
AACSB: Reflective Thinking  
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31. A tree diagram brings the issues and problems revealed by the affinity diagram and the interrelationship digraph down to the operational planning stage.  
Answer: True  
AACSB: Analytic  
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32. Matrix diagrams provide a picture of how well two sets of objects or issues are related and can identify missing pieces in the thought process.  
Answer: True  
AACSB: Analytic  
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33. In its original form used in Japan, a tree diagram is a rigorous, statistically based “factor analysis” technique.  
Answer: False  
AACSB: Analytic  
Page: 223
34. A matrix data analysis takes each branch of a tree diagram, anticipates possible problems, and provides countermeasures.  
Answer: False  
AACSB: Analytic  
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35. Vertical integration is the process by which certain business functions are acquired and consolidated within a firm.  
Answer: True  
AACSB: Analytic  
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### **MULTIPLE CHOICE QUESTIONS**

36. Which of the following is not one of the characteristics of a strong competitive advantage?  
a. It is driven by financial indexes.  
b. It makes a significant contribution to the success of the business.  
c. It matches the organization’s unique resources with the opportunities in the environment.  
d. It is durable and lasting and difficult for competitors to copy.  
Answer: A  
AACSB: Analytic  
Page: 189-190
37. Value can be defined as:  
a. conformance to specifications.  
b. fitness for use.  
c. least cost benefit.  
d. quality relative to price.  
Answer: D

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38. The classic literature on competitive strategy suggests that a firm can possess two basic types of competitive advantage:
- low cost and differentiation.
  - low turnover and customer satisfaction.
  - high employee loyalty and customization.
  - wide product variety and economies of scale.

Answer: A  
AACSB: Analytic  
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39. Which of the following statements about cost-leadership is not true?
- A cost leader can achieve above-average performance if it can command prices at or near the industry average.
  - Low cost can result from high productivity and high capacity utilization.
  - Improvements in quality lead to improvements in productivity, which in turn lead to lower costs.
  - To achieve cost-leadership, a firm must be unique in its industry along some dimensions that are widely valued by customers.

Answer: D  
AACSB: Reflective Thinking  
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40. Dell's business model is an example of which type of competitive advantage strategies?
- Cost-leadership
  - Differentiation
  - People
  - Quality

Answer: B  
AACSB: Reflective Thinking  
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41. \_\_\_\_\_ is/are the only factor that competitors cannot copy.
- Human resource
  - Product differentiation
  - Cost-leadership
  - Quality methods

Answer: A  
AACSB: Analytic

42. Which of the following is not one of the factors Taylor laid emphasis on?
- a. Work methods design
  - b. Establishment of standards for daily work
  - c. Involvement of workforce in setting standards
  - d. Piecework incentives

Answer: C

AACSB: Analytic

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43. The sleekness of an automobile's exterior and the black "high-tech" look of modern stereo components is an example of the \_\_\_\_\_ dimension of product design.
- a. performance
  - b. features
  - c. durability
  - d. aesthetics

Answer: D

AACSB: Analytic

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44. Which of the following is not one of the techniques used in quality engineering?
- a. Concurrent engineering
  - b. Cost analysis
  - c. Design reviews
  - d. Experimental design

Answer: B

AACSB: Analytic

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45. \_\_\_\_\_ refers to the degree of caring and individual attention provided to customers.
- a. Reliability
  - b. Assurance
  - c. Responsiveness
  - d. Empathy

Answer: D

AACSB: Analytic

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46. The personal computer is an example of a \_\_\_\_\_ product.
- a. custom
  - b. standardized
  - c. option-oriented
  - d. mass

Answer: C

AACSB: Analytic

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47. The time to introduce a new product is an example of:
- a. cycle time.
  - b. turnaround time.
  - c. product innovation time.
  - d. lead time.

Answer: A

AACSB: Analytic

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48. The key quality-related dimensions a business may concentrate on in order to differentiate itself from its competition are all of the following except:
- a. superior product and service design.
  - b. outstanding service.
  - c. product variety.
  - d. continuous innovation.

Answer: C

AACSB: Reflective Thinking

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49. \_\_\_\_\_ is concerned with the plans, procedures, and methods for the design and evaluation of quality in goods and services.
- a. Quality engineering
  - b. Reengineering
  - c. Process improvement
  - d. Customization

Answer: A

AACSB: Analytic

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50. Which of the following is not one of the key dimensions of service quality?
- a. Reliability
  - b. Cost-effectiveness
  - c. Tangibles

d. Responsiveness  
Answer: B  
AACSB: Analytic  
Page: 200-201

51. \_\_\_\_\_ products are unique configurations of subassemblies that are designed to fit together.

- a. Standard
- b. Custom
- c. Option-oriented
- d. Knock-down

Answer: C  
AACSB: Analytic  
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52. The total time required by a company to deliver a finished product that satisfies customers' needs is referred to as the:

- a. product lead time
- b. delivery time.
- c. turnaround time.
- d. cycle time.

Answer: A  
AACSB: Analytic  
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53. Which of the following is not one of the four perspectives included in the balanced scorecard according to Robert Kaplan and David Norton?

- a. Financial Perspective
- b. Internal Perspective
- c. Industry Perspective
- d. Innovation and Learning Perspective

Answer: C  
AACSB: Analytic  
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54. Lagging measures:

- a. tell what has happened.
- b. predict what will happen.
- c. relate results to its causes.
- d. compare historical results.

Answer: A  
AACSB: Analytic

55. The \_\_\_\_\_ of a firm defines its reason for existence.
- a. vision
  - b. mission
  - c. strategy
  - d. core competence

Answer: B

AACSB: Analytic

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56. \_\_\_\_\_ direct the journey to a vision by defining attitudes and policies for all employees that are reinforced through conscious and subconscious behavior at all levels of the organization.
- a. Core competencies
  - b. Strategies
  - c. Strategic objectives
  - d. Values

Answer: D

AACSB: Analytic

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57. \_\_\_\_\_ is a systems approach to managing change in critical business processes.
- a. Core competence
  - b. Strategy planning
  - c. Policy deployment
  - d. Integrated functional planning

Answer: C

AACSB: Analytic

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58. The Japanese deploy strategy through a process known as:
- a. kaizen.
  - b. hoshin planning.
  - c. kanban implementation.
  - d. seiketsu deployment.

Answer: B

AACSB: Analytic

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59. The \_\_\_\_\_ is a tool for organizing a large number of ideas, opinions, and facts relating to a broad problem or subject area.

- a. interrelationship digraph
- b. process decision program chart
- c. affinity diagram
- d. tree diagram

Answer: C

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60. A(n) \_\_\_\_\_ identifies and explores causal relationships among related concepts or ideas.

- a. interrelationship digraph
- b. tree diagram
- c. process decision program chart
- d. affinity diagram

Answer: A

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61. A \_\_\_\_\_ maps out the paths and tasks necessary to complete a specific project or reach a specified goal.

- a. process decision program chart
- b. matrix diagram
- c. tree diagram
- d. interrelationship digraph

Answer: C

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62. \_\_\_\_\_ are “spreadsheets” that graphically display relationships between ideas, activities, or other dimensions in such a way as to provide logical connecting points between each item.

- a. Matrix diagrams
- b. Scatter diagrams
- c. Pareto diagrams
- d. Process decision program charts

Answer: A

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63. \_\_\_\_\_ takes data and arranges them to display quantitative relationships among variables to make them more easily understood and analyzed.
- process decision program chart
  - Matrix data analysis
  - scatter diagram
  - affinity diagram
- Answer: B  
AACSB: Analytic  
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64. A \_\_\_\_\_ is a method for mapping out every conceivable event and contingency that can occur when moving from a problem statement to possible solutions.
- matrix data analysis
  - critical path diagram
  - Pareto diagram
  - process decision program chart
- Answer: D  
AACSB: Analytic  
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65. \_\_\_\_\_ refers to an organization's areas of greatest expertise that provide a sustainable competitive advantage in the marketplace or service environment.
- Power strategies
  - Core competencies
  - Key skill areas
  - Key result areas
- Answer: B  
AACSB: Analytic  
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## ESSAY QUESTIONS

66. What are the three types of products?
- Answer: The three types of products are: custom products, option-oriented products, and standard products.
- Custom products, generally made in small quantities, are designed to meet customers' specifications precisely. Option-oriented products are unique configurations of subassemblies that are designed to fit together. The customer participates in choosing the options to be assembled. Standard products are made in larger quantities. The customer has no options to choose from, and quality is easiest to achieve because the product is made the same way every time.

67. What is the significance of cycle time to quality?  
Answer: Success in competitive markets increasingly demands shorter cycles for new or improved product and service introduction. Also, faster and more flexible response to customers is a more critical requirement of business management. Significant reductions in cycle time cannot be achieved simply by focusing on individual subprocesses; cross-functional processes must be examined all across the organization. Cutting response time requires a significant commitment from all employees and leadership from top management. Such efforts must involve the entire organization and often require organizational redesign.  
AACSB: Reflective Thinking  
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68. What is the significance of the balanced scorecard?  
Answer: Most businesses have traditionally relied on organizational performance data based almost solely on financial or factory productivity considerations. Unfortunately, many of these indicators are inaccurate and stress quantity over quality. Today, many organizations create a “balanced scorecard” of measures that provide a comprehensive view of business performance. The balanced scorecard consists of four perspectives:
- Financial Perspective
  - Internal Perspective
  - Customer Perspective
  - Innovation and Learning Perspective
- A good balanced scorecard contains both lagging measures (outcomes) that tell what has happened and leading measures (performance drivers) that predict what will happen.  
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69. List the performance measures under the Malcolm Baldrige Criteria.  
Answer: The Malcolm Baldrige Criteria for Performance Excellence Results category groups performance measures into six sets:
- Product and service outcomes
  - Customer-focused outcomes
  - Financial and market outcomes
  - Human resource outcomes
  - Organizational effectiveness outcomes
  - Leadership and social responsibility outcomes
- AACSB: Analytic  
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70. What is the role of quality in strategic planning?  
Answer: The role of quality in strategic planning can be viewed in two ways: first, how quality and performance excellence are reflected in an organization's strategy, and, second, how TQ concepts and practices can improve the strategic planning process.  
AACSB: Reflective Thinking  
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71. Briefly describe the various elements of strategy development.  
Answer: The mission of a firm defines its reason for existence. The vision describes where the organization is headed and what it intends to be. The values, or guiding principles direct the journey to a vision by defining attitudes and policies for all employees that are reinforced through conscious and subconscious behavior at all levels of the organization. Strategic challenges are those pressures that exert a decisive influence on an organization's likelihood of future success. Strategies are broad statements that set the direction for the organization to take in realizing its mission and vision. Strategic objectives are what an organization must change or improve to remain or become competitive. Action plans derive from strategy and clearly describe the things that need to be done, human resource plans and support, performance measures and indicators, and resource deployment.  
AACSB: Reflective Thinking  
Page: 212-214
72. Describe the hoshin deployment process.  
Answer: Policy deployment starts with the senior managers of the company. The senior managers establish the vision and core objectives of the company. "Middle management negotiates with senior management regarding the goals that will achieve the objectives. Strategies specify the means to achieve the goals. Middle management then negotiates with the implementation teams regarding the performance measures that are used to indicate progress toward accomplishing the strategies. Measures are specific checkpoints to ensure the effectiveness of individual elements of the strategy. Senior management then uses a review process to understand both the progress of the implementation teams and the success of their planning system.  
AACSB: Reflective Thinking  
Page: 217-218
73. Describe the use of an interrelationship digraph.

Answer: An interrelationship digraph identifies and explores causal relationships among related concepts or ideas. It shows that every idea can be logically linked with more than one other idea at a time, and allows for “lateral thinking” rather than “linear thinking.” This technique is often used after the affinity diagram has clarified issues and problems.

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74. Describe core competencies.

Answer: Core competencies refer to an organization’s areas of greatest expertise that provide a sustainable competitive advantage in the marketplace or service environment. Core competencies may involve technology expertise, unique service offerings, a marketplace niche, or a particular business acumen.

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75. Describe outsourcing, offshoring, and vertical integration.

Answer: Outsourcing is the practice of transferring the operations of a business function to an outside supplier. Much outsourcing is done through offshoring, in which the outsourced function is relegated to foreign shores. Vertical integration is the opposite of outsourcing in which certain business functions are acquired and consolidated within a firm.

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