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York University  
Atkinson Faculty of Liberal and Professional Studies  
School of Administrative Studies  
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AK/ADMS4900 3.0 N, O and P  
Midterm Exam: Management Policy I

Name: \_\_\_\_\_

Student number: \_\_\_\_\_  
(make sure you put down the correct student number)

Section: 0

~~6 x 3 = 18 + 34 = 52~~  
18 + 35 = 53  
53  
55  
57

The exam has two parts:

Part 1: 12 multiple-choice questions (3% each). Do all.

Part 2: There are 5 short-essay questions. Answer 4 and ONLY 4 questions with the space provided. Each question is worth 16%. No additional pages/papers are allowed. If you answer more than 4 questions, only the first four will be graded. In addition, to avoid any potential dispute, pencils and red pens are not allowed.

Good luck!

## Part 1: Multiple-choice questions

Please either circle the choice or write the letter corresponding to your choice to the left of the respective question.

Q1. In class, we spent a significant amount of time discussing the market-based view of strategy and firm performance. Considering the following statements, which one is not consistent with the essence of this view?

- a) Strategy is about to occupy a distinct position in a given industry ✓
- b) Firms should be able to achieve abnormal returns if their assets are unique ✓
- c) Information/knowledge about market and competitive conditions is critical for firm performance ✓
- d) Industry profitability is determined by the structure of the industry
- e) None of above

Q2. We spent a significant amount of time discussing performance and organizational change. Which of the following statements is mostly incorrect?

- a) A strong organizational identity could be harmful because it makes organizational change more difficult.
- b) Generally speaking, social capital provides a firm with various benefits that help to enhance performance. ✓
- c) According to the performance feedback model, both high performance and low performance induce organizational change. ✓
- d) Organizational inertia is harmful to organizational performance.
- e) None of above

Q3. In Chapter 5, the text nicely elaborates the implications of imperfect market competition for firm strategy and performance. Considering the following statements, which one is not correct?

- a) Differentiation is difficult to achieve in a perfect market competition situation
- b) Firms should be able to create cost differential advantages in a imperfect market competition situation

- c) Under a truly perfect market competition situation, firms should perform equally
- d) An imperfect market competition could be created by government edict
- e) All of above are correct

Q4. In Chapter 19, the text discusses several aspects of the knowledge-based view of the firm. In class, we also spent some time discussing the relationships between this perspective and others. Considering the following statements, which one is not aligned with the essence of this view?

- a) If I could acquire the knowledge of employees in highly performing firms, then my firm should be able to achieve the same high level of performance ✗
- b) One major implication of this view is that a firm should make efforts to protect its codified knowledge instead of tacit knowledge ✗.
- c) Knowledge is embedded in organizational routines which collectively contribute to firm performance ✓
- d) From an evolutionary perspective, competitive markets tend to select out the organizational forms that consist of inefficient organizational routines
- e) All are aligned with the view

Q5. We spent some time discussing industry evolution and its implications for strategy. Which of following statements is inconsistent with our discussion?

- a) A potential new entrant with abundant financial resources could consider acquiring an existing firm in the industry when the industry is at a mature stage.
- b) In the early stage of the industry lifecycle, firms in an industry should make efforts to differentiate themselves from other firms in the same industry. ✗  
*other industries*
- c) The pattern of failure rates and that of founding rates across an industry lifecycle are opposite. ✓
- d) The increases in firm failures in early and late stages of an industry lifecycle are due to legitimacy and competition. ✓
- e) All are consistent with our discussion

Q6. In Chapter 6, the text elaborates Porter's view on strategic groups. As well, we discussed the

implications of strategic groups for rivalry in class. Considering the following statements, which one is not consistent with Porter's view and our discussion?

- a) Competition between groups is partly dependent upon the degree of market interdependence between the groups
- b) Generally speaking, it is easy for firms to migrate from one group to another group. X.
- c) The profitability of a strategic group is influenced by the group's position in an industry and by intra-group rivalry
- d) The strategic distance between groups is one factor determining the inter-group rivalry.
- e) All are not consistent with the Porter's view and our discussion

Q7. In the Chapter 10, the text suggests several approaches to post-acquisition integration. Imagine you were a CEO of Firm A. Which of following actions should you not pursue after making an acquisition?

- a) When an acquired firm has considerable independence from your own firm and possesses supplementary resources, you will consider using the subjugation approach of post-acquisition integration
- b) After acquiring another firm, you will keep two firms at an arm's length relationship if the two firms' markets and resources are unrelated
- c) You will isolate the acquired firm when the firm is in poor financial shape
- d) You will consider pursuing full integration of the two firms if the two firms possess similar resources

Q8. Chapters 1 and 2 elaborate the importance of organizational contexts in strategic management. We also spent some time discussing why firms with similar resources or occupying similar positions in an industry may have different performance. Which of the following statements is not consistent with the text and our discussion?

- a) To make strategic decisions requires information. However, information is often filtered out during the transmission process within a firm.
- b) Organization of a firm is critical only for strategy implementation
- c) How managers interpret the environment and communicate their interpretation among others in their firms can contribute to the differences in performance among firms.



<sup>imitation</sup>  
acquire resources and capability.

- c) Backward integration is driven by a trade-off between buy and make decisions.
- d) Performance of unrelated diversification depends upon if firms can realize the potential synergies derived from management skills.
- e) All of above.

Q12. Firms often compete across multiple markets. This leads to what we have discussed in class – multi-market competition. Such competition has important consequences for firm behavior, performance, and society. Which of following statements is not true?

- a) Multi-market contacts between two firms can reduce rivalry between them. ✓
- b) Under multi-market competition, single-market firms are likely to be losers. ✓
- c) To capture the potential benefits derived from multi-market contacts, firms should diversify into as many other markets as possible. ✗
- d) Multi-market contacts facilitate collusion between firms. As a result, consumers could be victims of such contacts. ✓
- e) All of above.

## End of Part 1

## Part 2. Short essay questions

You are required to answer only 4 of the questions below. You are only allowed to write your answer in the space provided with each respective question.

Q1. Michael Porter in 1987 said "Strategy is being different". Please use theories to elaborate if you agree/disagree with him (8%). You-Ta's firm is the leader in the emerging Internet telephony device market with 80% market shares. Now, Dell is entering the market. How should You-Ta's firm capture its first-mover advantage (8%)?

Lower cost  
customer loyalty

Q2. When we discussed buyer-supplier relationships, we concluded with three major criteria to determine the conditions under which buyers would have more bargaining power than suppliers. Please elaborate the three criteria (6%). Please use the P-C-V model and the 5-force model to elaborate why cost leadership is in a good position in the industry (6%). <sup>price</sup> <sub>model</sub>.

### Criteria

- 3%  
 Explanations:
1. There are many suppliers but with less buyers.
  2. Resource availability : the resource is not available.
  3. Importance of resource : the resource is not important.
  4. Concentration of resource : resource is not concentrated.

Cost leadership is in a good position in the industry from suppliers' perspective. Lower cost gives the firm flexibility to accept the demand of increasing price suppliers. For example, if supplier would like to increase the cost by \$1 the firm has two options to response it. First, the firm can transfer \$1 cost to customer. Another option is that the firm can absorb the cost by changing the selling price. From P-C-V model,  $\text{profit} = \text{Selling Price} - \text{Cost} = \text{Cost}$ . Leadership has lower cost than competitors', ~~and~~ even the selling price is lower than that of competitors, cost leadership still has more profit since the much lower cost.

Cost leadership is in a good position in the industry from buyers' perspective. The firm is flexibility to response to buyers. For example, if buyers want to reduce the selling price, the firm can either absorb the price or transfer the cost to suppliers.

6%

Q3. Acquisitions are popular business practices in Canada. Using the 5-force model, please elaborate the motives for firms to pursue acquisitions (8%). However, most acquisitions did not lead to better performance. From the behavioral perspective and the VRIO model perspective, what determines acquisition performance (8%)?

Motives for firms to pursue acquisitions.

There are two types of acquisitions: horizontal and vertical.

Horizontal acquisition is to acquire the firm's rivalry, which increase the market power. ~~So it decreases the threat~~ So it increases the entrant barrier. It also decreases the supply power and buyer power.

Vertical acquisition is to acquire the suppliers, which makes the firm have more control over the price/quality. So it decreases the supply power and buyer power. (the bargaining power of suppliers and ~~the bargaining power of buyers~~)

What determines acquisition performance:

1. Do they have any general experience to acquire before? if yes?  
if no?
2. Target experience. which includes related experience and unrelated experience
4. It's easy to imitate the acquisition.
5. The acquirer and acquiree have different cultures, which make it harder for employees from two different firms to work together.
6. Absorptive capacity: The ability to value, disseminate ~~into~~ and transfer external information to desired ends. Some acquisitions don't have good absorptive capacity.

6% explanations?

Q4. Alliances are popular business practices and provide firms with various benefits. However, firms tend to partner with the same firms repeatedly because of risk avoidance. What are the conditions under which Firm A may consider to partner with another firm with whom Firm A has not partnered before (8%)? When two firms have identical alliance partners, their firm performances may still differ. Assuming they occupy in identical positions in an industry, what contributes to the differences in their performances (8%)?

absorptive capacity ability to value and transfer external information to desired ends

Conditions under which Firm A may consider to partner with another firm with whom Firm A has not partnered before:

Let's assume Firm B is the one firm A would like to partner.

1. Firm B has something unique that no other firms have, and this unique capability is very difficult for firm A to develop by itself.

2. All those past partners are not available, so firm A asks for referrals from past partners, and Firm B is the potential partner.

Past partners ~~refer~~ refer firm B to firm A because they know firm B meets the needs of firm A and has the resources and capabilities than Firm A wants, so firm A may consider to partner with firm B.

3. Firm B has a very good reputation in partnership, which reduces the uncertainty of risk behaviors.

What contributes to the differences in the performances

1. absorptive capacity: it is the ability to value and transfer external information to desired ends.

2. ~~spillover~~ knowledge spillover: The partner try to learn other knowledge which is not ~~the~~ part of the agreement.

3. adverse selection: The potential partner misleads the resources and capability.

4. moral hazards: The partner fail/refuse to make the resources and capability available.

these are partner selection (VLC)

Q5. The notion of imitation is critical in strategic management. Please elaborate on what the barriers of imitation are (8%). However, we discussed how firms can develop new capability through imitation. What are the mechanisms facilitating such imitation (4%)? Chapter 6 nicely contrasts the required competences for successful cost leadership and product differentiation. Please elaborate the competences for successful cost leadership and product differentiation (4%).

### Barriers of imitation:

1. History experience: experiences take time to gain, so it's hard to imitate.
2. Legal condition: such as patent, which can provide the product.
- 4% 3. Culture: culture is hard to imitate.
4. Unique resource: make one product unique, which is hard to imitate.

### Mechanisms facilitating such imitation

- keep innovation 0%
- go for another product
- produce new service or function for the same product.
- ~~produce~~ introduce the supplier for the product that you want like to imitate for
- combine firm's own experience and the imitation to produce new product.

### Competences for successful cost leadership

Cost leadership is focusing on gaining (advantage) competitive by lowering the transaction cost than that of competitors.

- Lower costs ✓
- Increasing services. ✓
- customer satisfaction. ✓

2%

### Competences of product differentiation

product differentiation is perceived value of better products/services than competitors.

- keep innovation, produce new service/function for the same product, produce a new product.
- produce differentiation that buyers can value ✓
- stay ahead.
- if can't keep innovation, try to get first mover ~~and~~ competitive advantage.