Chapter 01

Strategic Management: Creating Competitive Advantages

**True / False Questions**

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| 1. | The success Apple, Inc. achieved over the past decade was a direct result of the creative and forceful leadership of its late CEO, Steve Jobs. According to the text, this would be an example of the "romantic" perspective of leadership.    True    False |

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| 2. | Strategic management consists of the analyses, decisions, and actions an organization undertakes in order to create and sustain competitive advantages.    True    False |

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| 3. | The three interrelated and principal activities of strategic management are: strategy analysis, strategy formulation, and strategy implementation.    True    False |

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| 4. | According to the textbook, strategic management does not consist of the analyses that an organization undertakes in order to create and sustain competitive advantages.    True    False |

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| 5. | Management innovations such as total quality, just-in-time, benchmarking, business process reengineering, and outsourcing are important, but not enough for building sustainable competitive advantage.    True    False |

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| 6. | Strategic management recognizes the trade-offs between effectiveness and efficiency.    True    False |

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| 7. | According to Henry Mintzberg, a management scholar, most firms realize their original intended strategy.    True    False |

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| 8. | According to the text, formulating strategy includes taking into consideration strategy at the business, corporate, and international levels.    True    False |

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| 9. | Business-level strategy focuses on (1) what businesses to compete in, and (2) the management of the business portfolio to create synergy among its businesses.    True    False |

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| 10. | Corporate-level strategy addresses how firms compete and outperform their rivals as well as achieve and sustain competitive advantages.    True    False |

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| 11. | Effective leadership can play a large role in fostering corporate entrepreneurship. Corporate entrepreneurship can have a very positive impact on the bottom line of a firm.    True    False |

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| 12. | The three primary participants in corporate governance are: (1) the shareholders, (2) the management (led by the chief executive officer), and (3) the employees.    True    False |

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| 13. | Decisions by boards of directors are always consistent with shareholder interests.    True    False |

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| 14. | Former Chrysler vice chairman Robert Lutz observed that companies exist to serve the shareholder and create shareholder value. He insisted that the only person who owns the company is the person who paid good money for it. This is an example of a symbiotic approach to stakeholder management.    True    False |

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| 15. | Stockholders in a company are the only individuals with an interest in the financial performance of the company.    True    False |

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| 16. | Stockholders, employees, and the community-at-large are among the stakeholders of a firm.    True    False |

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| 17. | Symbiosis is the ability to recognize interdependencies among the interests of multiple stakeholders within and outside an organization.    True    False |

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| 18. | Procter and Gamble developed a laundry detergent compaction technique that appeals to consumers, retailers, shipping and wholesalers, and environmentalists. This is an example of stakeholder symbiosis.    True    False |

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| 19. | Social responsibility is the idea that organizations are not only accountable to stockholders but also to the community-at-large.    True    False |

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| 20. | The concept of shared value redefines the purpose of the corporation as creating shared value in order to create a more even distribution of the profits to all employees, not just top level executives.    True    False |

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| 21. | Shell, NEC, and Procter and Gamble have been measuring their performance according to what has been called a triple bottom line. This technique involves an assessment of financial, social, and environmental performance.    True    False |

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| 22. | The strategic management process should be addressed only by top-level executives. Mid-level and low-level employees are best equipped to implement the strategies of the organization.    True    False |

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| 23. | The vision of an organization is the top level of its hierarchy of organizational goals. The vision statement should be massively inspiring, overarching, and long term.    True    False |

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| 24. | Strategic objectives are more specific than vision statements.    True    False |

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| 25. | According to the text, a mission statement is an overarching statement that is massively inspiring, long term, and only discusses the purpose of the company.    True    False |

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| 26. | A mission statement encompasses both the purpose of the organization as well as its basis of competition, and the basis of its competitive advantage.    True    False |

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| 27. | Some excellent examples of mission statements are: To be the happiest place on earth (Disneyland) and Restoring patients to full life (Medtronic).    True    False |

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| 28. | Strategic objectives should be measurable, specific, appropriate, and realistic, but not constrained by time deadlines.    True    False |

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| 29. | Much research has supported the notion that individuals work much harder when they are asked to do their best rather than when they are striving toward a specific goal.    True    False |

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| 30. | Objectives in organizations should be clear, stated, and known by employees throughout the organization.    True    False |

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| 31. | Strategic management should only include short-term objectives. Long-term objectives are covered in the vision statement of the organization.    True    False |

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| 32. | Organizational goals and objectives should be vague in order to allow for changes in strategy.    True    False |

**Multiple Choice Questions**

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| 33. | The text addresses two perspectives of leadership as well as their implications. These two perspectives are:      |  |  | | --- | --- | | A. | romantic and unromantic |  |  |  | | --- | --- | | B. | romantic and internal control |  |  |  | | --- | --- | | C. | external control and unromantic |  |  |  | | --- | --- | | D. | romantic and external control | |

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| 34. | A CEO made a lot of mistakes in assessing the market and the competitive conditions and improperly redesigning the organization into numerous business units. Such errors led to significant performance declines. According to the text, this example illustrates the \_\_\_\_\_\_\_\_\_\_ perspective of leadership.      |  |  | | --- | --- | | A. | external control |  |  |  | | --- | --- | | B. | romantic |  |  |  | | --- | --- | | C. | internal mechanism |  |  |  | | --- | --- | | D. | operational | |

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| 35. | According to the text, the strategic management process entails three ongoing processes:      |  |  | | --- | --- | | A. | analyses, actions, and synthesis |  |  |  | | --- | --- | | B. | analyses, decisions, and actions |  |  |  | | --- | --- | | C. | analyses, evaluation, and critique |  |  |  | | --- | --- | | D. | analyses, synthesis, and antithesis | |

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| 36. | Management innovations such as total quality, benchmarking, and business process reengineering cannot lead to sustainable competitive advantage because:      |  |  | | --- | --- | | A. | companies that have implemented these techniques have lost money |  |  |  | | --- | --- | | B. | there is no proof that these techniques work |  |  |  | | --- | --- | | C. | they cost too much money and effort to implement |  |  |  | | --- | --- | | D. | every company is trying to implement them and hence it does not make a company different from others | |

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| 37. | The organizational versus the individual rationality perspective suggests that:      |  |  | | --- | --- | | A. | what is good for a functional area is always good for the organization |  |  |  | | --- | --- | | B. | what is good for the organization is always good for a functional area |  |  |  | | --- | --- | | C. | what is best for a functional area may not be best for the organization |  |  |  | | --- | --- | | D. | the incremental perspective may be best for functional areas while the "rational" perspective may be best for the organization | |

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| 38. | The four key attributes of strategic management include the idea that:      |  |  | | --- | --- | | A. | strategy must be directed toward overall organizational goals and objectives |  |  |  | | --- | --- | | B. | strategy must be focused on long-term objectives |  |  |  | | --- | --- | | C. | strategy must be focused on one specific area of an organization |  |  |  | | --- | --- | | D. | strategy must focus on competitor strengths | |

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| 39. | The four key attributes of strategic management include all of the following EXCEPT:      |  |  | | --- | --- | | A. | including multiple stakeholder interests in decision making |  |  |  | | --- | --- | | B. | incorporating both short-term and long-term perspectives |  |  |  | | --- | --- | | C. | recognizing the trade-offs between effectiveness and efficiency |  |  |  | | --- | --- | | D. | emphasis on the attainment of short-term objectives | |

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| 40. | Effectiveness is often defined as:      |  |  | | --- | --- | | A. | doing things right |  |  |  | | --- | --- | | B. | stakeholder satisfaction |  |  |  | | --- | --- | | C. | doing the right thing |  |  |  | | --- | --- | | D. | productivity enhancement | |

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| 41. | All of the following are ambidextrous behaviors EXCEPT:      |  |  | | --- | --- | | A. | taking initiative and being alert to opportunities beyond the confines of one's own job |  |  |  | | --- | --- | | B. | being cooperative and seeking opportunities to combine one's efforts with others |  |  |  | | --- | --- | | C. | intensely focusing on the responsibilities of one individual and maximizing the output of the department in the organization in which that individual works |  |  |  | | --- | --- | | D. | being brokers, always looking to build internal linkages | |

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| 42. | According to Henry Mintzberg, the realized strategies of a firm:      |  |  | | --- | --- | | A. | are a combination of deliberate and emergent strategies |  |  |  | | --- | --- | | B. | are a combination of deliberate and differentiation strategies |  |  |  | | --- | --- | | C. | must be based on the strategic plan of the company |  |  |  | | --- | --- | | D. | must be kept confidential for competitive reasons | |

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| 43. | According to Henry Mintzberg, decisions following from the strategic analysis of the firm are its:      |  |  | | --- | --- | | A. | emergent strategy |  |  |  | | --- | --- | | B. | deliberate strategy |  |  |  | | --- | --- | | C. | intended strategy |  |  |  | | --- | --- | | D. | realized strategy | |

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| 44. | \_\_\_\_\_\_\_\_\_\_ may be considered the advance work that must be done in order to effectively formulate and implement strategies.      |  |  | | --- | --- | | A. | Goal setting |  |  |  | | --- | --- | | B. | Corporate entrepreneurship |  |  |  | | --- | --- | | C. | Strategy analysis |  |  |  | | --- | --- | | D. | Organizational design | |

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| 45. | \_\_\_\_\_\_\_\_\_\_ involves ensuring proper strategic controls and organizational designs.      |  |  | | --- | --- | | A. | Corporate governance |  |  |  | | --- | --- | | B. | Corporate-level strategy |  |  |  | | --- | --- | | C. | Strategy implementation |  |  |  | | --- | --- | | D. | Business-level strategy | |

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| 46. | The three participants in corporate governance are:      |  |  | | --- | --- | | A. | the shareholders, board of directors, and employees |  |  |  | | --- | --- | | B. | the shareholders, labor unions, and employees |  |  |  | | --- | --- | | C. | the shareholders, board of directors, and management |  |  |  | | --- | --- | | D. | the shareholders, banks and lending institutions, and management | |

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| 47. | While working to prioritize and fulfill their responsibilities, members of the board of directors of an organization should:      |  |  | | --- | --- | | A. | represent their own interests |  |  |  | | --- | --- | | B. | represent the interests of the shareholders |  |  |  | | --- | --- | | C. | direct all actions of the CEO |  |  |  | | --- | --- | | D. | emphasize the importance of short-term goals | |

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| 48. | Members of boards of directors are:      |  |  | | --- | --- | | A. | appointed by the Securities and Exchange Commission |  |  |  | | --- | --- | | B. | elected by the shareholders as their representatives |  |  |  | | --- | --- | | C. | elected by the public |  |  |  | | --- | --- | | D. | only allowed to serve one term of four years | |

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| 49. | An organization is responsible to many different entities. In order to meet the demands of these groups, organizations must participate in stakeholder management. Stakeholder management means that:      |  |  | | --- | --- | | A. | interests of the stockholders are not the only interests that matter |  |  |  | | --- | --- | | B. | stakeholders are second in importance to the stockholders |  |  |  | | --- | --- | | C. | stakeholders and managers inevitably work at cross-purposes |  |  |  | | --- | --- | | D. | all stakeholders receive financial rewards | |

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| 50. | Stakeholders are:      |  |  | | --- | --- | | A. | a new way to describe stockholders |  |  |  | | --- | --- | | B. | individuals, groups, and organizations who have a stake in the success of the organization |  |  |  | | --- | --- | | C. | creditors who hold a lien on the assets of the organization |  |  |  | | --- | --- | | D. | attorneys and their clients who sue the organization | |

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| 51. | Procter and Gamble has perfected a technique for compacting cleaning powder into a liquid concentration. Consumers, retailers, shipping and wholesalers, and environmentalists all have benefited from the resulting change in consumer shopping habits and the revolution in industry supply-chain economics. According to the text, this is an example of \_\_\_\_\_\_\_\_\_\_.      |  |  | | --- | --- | | A. | zero-sum relationship among stakeholders |  |  |  | | --- | --- | | B. | stakeholder symbiosis |  |  |  | | --- | --- | | C. | rewarding stakeholders |  |  |  | | --- | --- | | D. | emphasizing financial returns | |

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| 52. | There are several perspectives of competition. One perspective is zero-sum thinking. Zero-sum thinking means that:      |  |  | | --- | --- | | A. | all parts of the organization gain at no loss |  |  |  | | --- | --- | | B. | in order for someone to gain others must experience no gain or benefit |  |  |  | | --- | --- | | C. | one can only gain at the expense of someone else |  |  |  | | --- | --- | | D. | everyone in the organization shares gains and losses equally | |

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| 53. | Managers should do more than just focus on short-term financial performance. One concept that helps managers do this is stakeholder symbiosis. This means that:      |  |  | | --- | --- | | A. | stakeholders are dependent on each other for their success |  |  |  | | --- | --- | | B. | stakeholders look out for their individual interests |  |  |  | | --- | --- | | C. | one can only gain at the expense of someone else |  |  |  | | --- | --- | | D. | all stakeholders want to maximize shareholder returns | |

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| 54. | Firms must be aware of goals other than short-term profit maximization. One area of concern should be social responsibility which is:      |  |  | | --- | --- | | A. | the expectation that business will strive to improve the overall welfare of society |  |  |  | | --- | --- | | B. | the idea that organizations are solely responsible to local citizens |  |  |  | | --- | --- | | C. | the fact that court costs could impact the financial bottom line |  |  |  | | --- | --- | | D. | the idea that businesses are responsible to maintain a healthy social climate for their employees | |

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| 55. | According to the text, the triple bottom line approach to corporate accounting includes three components:      |  |  | | --- | --- | | A. | financial, environmental, and customer |  |  |  | | --- | --- | | B. | financial, organizational, and customer |  |  |  | | --- | --- | | C. | financial, environmental, and social |  |  |  | | --- | --- | | D. | financial, organizational, and psychological | |

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| 56. | Many organizations have a large number of functional areas with very diverse and sometimes competing interests. Such organizations will be most effective if:      |  |  | | --- | --- | | A. | each functional area focuses on achieving their own goals |  |  |  | | --- | --- | | B. | functional areas work together to attain overall goals |  |  |  | | --- | --- | | C. | goals are defined at the bottom and implemented at the top |  |  |  | | --- | --- | | D. | management and employees have separate goals | |

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| 57. | Strategy formulation and implementation is a challenging ongoing process. To be effective, it should not involve:      |  |  | | --- | --- | | A. | the CEO and the board of directors |  |  |  | | --- | --- | | B. | the board of directors, CEO, and CFO |  |  |  | | --- | --- | | C. | competitors |  |  |  | | --- | --- | | D. | line and staff managers | |

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| 58. | The text argues that a strategic perspective in an organization should be emphasized:      |  |  | | --- | --- | | A. | at the top of the organization |  |  |  | | --- | --- | | B. | at the middle of the organization |  |  |  | | --- | --- | | C. | throughout the organization |  |  |  | | --- | --- | | D. | from the bottom up | |

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| 59. | Peter Senge, of MIT, recognized three types of leaders. \_\_\_\_\_\_\_\_\_\_ are individuals that, although having little positional power and formal authority, generate their power through the conviction and clarity of their ideas.      |  |  | | --- | --- | | A. | Local line leaders |  |  |  | | --- | --- | | B. | Executive leaders |  |  |  | | --- | --- | | C. | Internal networkers |  |  |  | | --- | --- | | D. | Shop floor leaders | |

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| 60. | Peter Senge, of MIT, recognized three types of leaders. \_\_\_\_\_\_\_\_\_\_ champion and guide ideas, create a learning infrastructure, and establish a domain for taking action.      |  |  | | --- | --- | | A. | Local line leaders |  |  |  | | --- | --- | | B. | Executive leaders |  |  |  | | --- | --- | | C. | Internal networkers |  |  |  | | --- | --- | | D. | Shop floor leaders | |

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| 61. | Leadership is a necessary (but not sufficient) condition for organizational success. Leaders should emerge at which level(s) of an organization?      |  |  | | --- | --- | | A. | only at the top |  |  |  | | --- | --- | | B. | in the middle |  |  |  | | --- | --- | | C. | throughout the organization |  |  |  | | --- | --- | | D. | only during times of change | |

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| 62. | The hierarchy of organizational goals is in this order (least specific to most specific):      |  |  | | --- | --- | | A. | vision statements, strategic objectives, mission statements |  |  |  | | --- | --- | | B. | mission statements, strategic objectives, vision statements |  |  |  | | --- | --- | | C. | vision statements, mission statements, strategic objectives |  |  |  | | --- | --- | | D. | mission statements, vision statements, strategic objectives | |

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| 63. | Vision statements are used to create a better understanding of the overall purpose and direction of the organization. Vision statements:      |  |  | | --- | --- | | A. | are very specific |  |  |  | | --- | --- | | B. | provide specific objectives |  |  |  | | --- | --- | | C. | set organizational structure |  |  |  | | --- | --- | | D. | evoke powerful and compelling mental images | |

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| 64. | Effective vision statements include:      |  |  | | --- | --- | | A. | all strategic directions of the organization |  |  |  | | --- | --- | | B. | a brief statement of the company's direction |  |  |  | | --- | --- | | C. | strategic posturing and future objectives |  |  |  | | --- | --- | | D. | financial objectives and projected figures | |

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| 65. | Examples of \_\_\_\_\_\_\_\_\_\_ include: To be the happiest place on earth (Disneyland), and Restoring patients to full life (Medtronic).      |  |  | | --- | --- | | A. | vision statements |  |  |  | | --- | --- | | B. | mission statements |  |  |  | | --- | --- | | C. | strategic objectives |  |  |  | | --- | --- | | D. | operational objectives | |

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| 66. | WellPoint Health Network states: WellPoint will redefine our industry: through a new generation of consumer-friendly products that put individuals back in control of their future. This is an example of a:      |  |  | | --- | --- | | A. | strategic objective |  |  |  | | --- | --- | | B. | vision statement |  |  |  | | --- | --- | | C. | vague statement of direction |  |  |  | | --- | --- | | D. | line manager's individual goal | |

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| 67. | In contrast to the vision of an organization, its mission should:      |  |  | | --- | --- | | A. | be shorter in length |  |  |  | | --- | --- | | B. | encompass both the purpose of the company as well as the basis of competition |  |  |  | | --- | --- | | C. | encompass all the major rules and regulations of the corporate work force |  |  |  | | --- | --- | | D. | be less detailed. | |

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| 68. | The vision and mission statements of a company set the overall direction of the organization. Strategic objectives serve what role?      |  |  | | --- | --- | | A. | operationalize the mission statement |  |  |  | | --- | --- | | B. | modify the mission statement |  |  |  | | --- | --- | | C. | are a shorter version of the mission statement |  |  |  | | --- | --- | | D. | are only clarified by the board of directors | |

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| 69. | Successful organizations are effective in motivating people. Employees work best when:      |  |  | | --- | --- | | A. | they are asked to do their best |  |  |  | | --- | --- | | B. | work requirements are vague and unclear |  |  |  | | --- | --- | | C. | they are striving toward specific goals |  |  |  | | --- | --- | | D. | they are guided by an abstract mission statement | |

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| 70. | Fortune Brands states they will cut corporate overhead costs by $30 million a year. This is an example of a:      |  |  | | --- | --- | | A. | nonfinancial strategic objective |  |  |  | | --- | --- | | B. | financial strategic objective |  |  |  | | --- | --- | | C. | vision statement |  |  |  | | --- | --- | | D. | mission statement | |

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| 71. | We want to be the top-ranked supplier to our customers. (PPG) This is an example of a:      |  |  | | --- | --- | | A. | nonfinancial strategic objective |  |  |  | | --- | --- | | B. | financial strategic objective. |  |  |  | | --- | --- | | C. | vision statement |  |  |  | | --- | --- | | D. | mission statement | |

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| 72. | In large organizations, conflicts can arise between functional areas. In order to resolve these conflicts, strategic objectives:      |  |  | | --- | --- | | A. | put financial objectives above human considerations |  |  |  | | --- | --- | | B. | align departments toward departmental goals |  |  |  | | --- | --- | | C. | help resolve conflicts through their common purpose |  |  |  | | --- | --- | | D. | cause debate and increase conflict | |

**Essay Questions**

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| 73. | The strategic management process includes strategy analysis, strategy formulation, and strategy implementation. Discuss each of these steps. |

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| 74. | Discuss the key elements of corporate governance. |

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| 75. | A firm has a variety of stakeholders. Identify several possible stakeholders a firm may have and discuss how the firm may achieve stakeholder symbiosis. |

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| 76. | Leadership is a topic that is often discussed in the management literature. The text suggests that leaders should be at all levels in an organization. Discuss why it is important to have leaders throughout an organization. |

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| 77. | According to the text, vision statements should be massively inspiring, overarching, and long term. Provide several examples of potential vision statements for various organizations and discuss how such vision statements would inspire employees around a cause. |

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| 78. | A mission statement encompasses the purpose of the company as well as the basis of competition and competitive advantage. Compare the purpose of a mission statement to that of a vision statement and a strategic objective. |

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| 79. | Organizations must focus on financial and nonfinancial objectives. Select an organization and discuss possible financial and nonfinancial objectives the organization may have. |

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| 80. | The text discusses several characteristics of effective strategic objectives. List several of these and discuss why the strategic objectives of a firm should meet these criteria. |

Chapter 01 Strategic Management: Creating Competitive Advantages Answer Key

**True / False Questions**

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| 1. | The success Apple, Inc. achieved over the past decade was a direct result of the creative and forceful leadership of its late CEO, Steve Jobs. According to the text, this would be an example of the "romantic" perspective of leadership.    **TRUE**  In the romantic view of leadership, the implicit assumption is that the leader is the key force in determining an organization's success or lack thereof. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-01 The definition of strategic management and its four key attributes. Level of Difficulty: 2 Medium Topic: What is Strategic Management?* |

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| 2. | Strategic management consists of the analyses, decisions, and actions an organization undertakes in order to create and sustain competitive advantages.    **TRUE**  According to the textbook, this is the definition of strategic management. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-01 The definition of strategic management and its four key attributes. Level of Difficulty: 1 Easy Topic: What is Strategic Management?* |

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| 3. | The three interrelated and principal activities of strategic management are: strategy analysis, strategy formulation, and strategy implementation.    **TRUE**  Strategic management is defined by the text as consisting of the analyses, decisions and actions an organization undertakes in order to create and sustain competitive advantages. It incorporates the three major processes: strategy analysis, strategy formulation, and strategy implementation. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-02 The strategic management process and its three interrelated and principal activities. Level of Difficulty: 1 Easy Topic: The Strategic Management Process* |

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| 4. | According to the textbook, strategic management does not consist of the analyses that an organization undertakes in order to create and sustain competitive advantages.    **FALSE**  According to the textbook, strategic management consists of the analyses, decisions and actions an organization undertakes in order to create and sustain competitive advantages. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-01 The definition of strategic management and its four key attributes. Level of Difficulty: 1 Easy Topic: What is Strategic Management?* |

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| 5. | Management innovations such as total quality, just-in-time, benchmarking, business process reengineering, and outsourcing are important, but not enough for building sustainable competitive advantage.    **TRUE**  Sustainable competitive advantage cannot be achieved through operational effectiveness alone. Popular management innovations of the last two decades like total quality, just-in-time, benchmarking, business process reengineering, and outsourcing are concerned with operational effectiveness. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-01 The definition of strategic management and its four key attributes. Level of Difficulty: 2 Medium Topic: What is Strategic Management?* |

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| 6. | Strategic management recognizes the trade-offs between effectiveness and efficiency.    **TRUE**  The fourth attribute of strategic management is that it involves the recognition of trade-offs between effectiveness and efficiency. Some authors have referred to this as the difference between doing the right thing (effectiveness) and doing things right (efficiency). |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-01 The definition of strategic management and its four key attributes. Level of Difficulty: 1 Easy Topic: What is Strategic Management?* |

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| 7. | According to Henry Mintzberg, a management scholar, most firms realize their original intended strategy.    **FALSE**  Henry Mintzberg states that the intended strategy rarely survives in its original form. Unforeseen environmental developments, unanticipated resource constraints, or changes in managerial preferences may result in at least some parts of the intended strategy remaining unrealized. On the other hand, good managers will want to take advantage of a new opportunity presented by the environment, even if it was not part of the original set of intentions. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-02 The strategic management process and its three interrelated and principal activities. Level of Difficulty: 2 Medium Topic: The Strategic Management Process* |

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| 8. | According to the text, formulating strategy includes taking into consideration strategy at the business, corporate, and international levels.    **TRUE**  The strategy formulation decisions of a firm are developed at several levels. First, business-level strategy addresses the issue of how to compete in a given business to attain competitive advantage. Second, corporate-level strategy focuses on two issues: (a) what businesses to compete in and (b) how businesses can be managed to achieve synergy. Third, a firm must develop international strategies as it ventures beyond its national boundaries. Fourth, managers must formulate effective entrepreneurial initiatives. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-02 The strategic management process and its three interrelated and principal activities. Level of Difficulty: 2 Medium Topic: The Strategic Management Process* |

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| 9. | Business-level strategy focuses on (1) what businesses to compete in, and (2) the management of the business portfolio to create synergy among its businesses.    **FALSE**  Corporate-level strategy focuses on two issues: (a) what businesses to compete in, and (b) how this portfolio of businesses can be managed to achieve value synergy. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-02 The strategic management process and its three interrelated and principal activities. Level of Difficulty: 1 Easy Topic: The Strategic Management Process* |

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| 10. | Corporate-level strategy addresses how firms compete and outperform their rivals as well as achieve and sustain competitive advantages.    **FALSE**  Business-level strategy addresses the issue of how to compete in a given business to attain competitive advantage. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-02 The strategic management process and its three interrelated and principal activities. Level of Difficulty: 1 Easy Topic: The Strategic Management Process* |

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| 11. | Effective leadership can play a large role in fostering corporate entrepreneurship. Corporate entrepreneurship can have a very positive impact on the bottom line of a firm.    **TRUE**  Entrepreneurial activity aimed at new value creation is a major engine for economic growth. For entrepreneurial initiatives to succeed viable opportunities must be recognized and effective strategies must be formulated. This requires effective leadership. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-02 The strategic management process and its three interrelated and principal activities. Level of Difficulty: 1 Easy Topic: The Strategic Management Process* |

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| 12. | The three primary participants in corporate governance are: (1) the shareholders, (2) the management (led by the chief executive officer), and (3) the employees.    **FALSE**  The primary participants are: (1) the shareholders, (2) the management (led by the chief executive officer), and (3) the board of directors. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-03 The vital role of corporate governance and stakeholder management; as well as how "symbiosis" can be achieved among an organization's stakeholders. Level of Difficulty: 1 Easy Topic: The Role of Corporate Governance and Stakeholder Management* |

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| 13. | Decisions by boards of directors are always consistent with shareholder interests.    **FALSE**  The board of directors (BOD) are the elected representatives of the shareholders charged with ensuring that the interests and motives of management are aligned with those of the owners (i.e., shareholders). Recent scandals have resulted in criticism and cynicism that the BOD fulfills this charge. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-03 The vital role of corporate governance and stakeholder management; as well as how "symbiosis" can be achieved among an organization's stakeholders. Level of Difficulty: 2 Medium Topic: The Role of Corporate Governance and Stakeholder Management* |

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| 14. | Former Chrysler vice chairman Robert Lutz observed that companies exist to serve the shareholder and create shareholder value. He insisted that the only person who owns the company is the person who paid good money for it. This is an example of a symbiotic approach to stakeholder management.    **FALSE**  This is zero-sum stakeholder management. On the other hand, organizations can achieve mutual benefit through stakeholder symbiosis, which recognizes that stakeholders are dependent upon each other for their success and well-being. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-03 The vital role of corporate governance and stakeholder management; as well as how "symbiosis" can be achieved among an organization's stakeholders. Level of Difficulty: 2 Medium Topic: The Role of Corporate Governance and Stakeholder Management* |

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| 15. | Stockholders in a company are the only individuals with an interest in the financial performance of the company.    **FALSE**  A stakeholder can be defined as an individual or group, inside or outside the company, that has a stake in and can influence the performance of the organization. Each stakeholder group makes various claims on the company.  Refer To: Exhibit 1.5 |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-03 The vital role of corporate governance and stakeholder management; as well as how "symbiosis" can be achieved among an organization's stakeholders. Level of Difficulty: 1 Easy Topic: The Role of Corporate Governance and Stakeholder Management* |

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| 16. | Stockholders, employees, and the community-at-large are among the stakeholders of a firm.    **TRUE**  A stakeholder can be defined as an individual or group, inside or outside the company, that has a stake in and can influence the performance of the organization. Stakeholders include stockholders, employees, suppliers, governments, and others.  Refer To: Exhibit 1.5 |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-03 The vital role of corporate governance and stakeholder management; as well as how "symbiosis" can be achieved among an organization's stakeholders. Level of Difficulty: 1 Easy Topic: The Role of Corporate Governance and Stakeholder Management* |

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| 17. | Symbiosis is the ability to recognize interdependencies among the interests of multiple stakeholders within and outside an organization.    **TRUE**  Organizations can achieve mutual benefit through stakeholder symbiosis, which recognizes that stakeholders are dependent upon each other for their success and well-being. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-03 The vital role of corporate governance and stakeholder management; as well as how "symbiosis" can be achieved among an organization's stakeholders. Level of Difficulty: 1 Easy Topic: The Role of Corporate Governance and Stakeholder Management* |

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| 18. | Procter and Gamble developed a laundry detergent compaction technique that appeals to consumers, retailers, shipping and wholesalers, and environmentalists. This is an example of stakeholder symbiosis.    **TRUE**  According to the text, the Procter and Gamble technique that compacts two to three times as much cleaning powder into a liquid concentration has led to a change in consumer shopping habits and has revolutionized industry supply-chain economics. This is an example of stakeholder symbiosis in action. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-03 The vital role of corporate governance and stakeholder management; as well as how "symbiosis" can be achieved among an organization's stakeholders. Level of Difficulty: 2 Medium Topic: The Role of Corporate Governance and Stakeholder Management* |

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| 19. | Social responsibility is the idea that organizations are not only accountable to stockholders but also to the community-at-large.    **TRUE**  Social responsibility is the expectation that businesses or individuals will strive to improve the overall welfare of society. From the perspective of a business, this means that managers must take active steps to make society better by virtue of the business being in existence. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-04 The importance of social responsibility; including environmental sustainability; and how it can enhance a corporation's innovation strategy. Level of Difficulty: 1 Easy Topic: The Role of Corporate Governance and Stakeholder Management* |

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| 20. | The concept of shared value redefines the purpose of the corporation as creating shared value in order to create a more even distribution of the profits to all employees, not just top level executives.    **FALSE**  Shared value can be defined as policies and operating practices that enhance the competitiveness of a company, while simultaneously advancing the economic and social conditions in which it operates. It is not about personal values or sharing the value created by firms, which is a redistribution approach. Instead, it is about expanding the total pool of economic and social value. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-04 The importance of social responsibility; including environmental sustainability; and how it can enhance a corporation's innovation strategy. Level of Difficulty: 1 Easy Topic: The Role of Corporate Governance and Stakeholder Management* |

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| 21. | Shell, NEC, and Procter and Gamble have been measuring their performance according to what has been called a triple bottom line. This technique involves an assessment of financial, social, and environmental performance.    **TRUE**  Many companies are now measuring what has been called a triple bottom line. This involves assessing financial, social, and environmental performance. Shell, NEC, Procter and Gamble, and others have recognized that failing to account for the environmental and social costs of doing business poses risks to the company and its community. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-04 The importance of social responsibility; including environmental sustainability; and how it can enhance a corporation's innovation strategy. Level of Difficulty: 2 Medium Topic: The Role of Corporate Governance and Stakeholder Management* |

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| 22. | The strategic management process should be addressed only by top-level executives. Mid-level and low-level employees are best equipped to implement the strategies of the organization.    **FALSE**  To develop and mobilize people and other assets, leaders are needed throughout the organization. No longer can organizations be effective if the top level does the thinking and the rest of the organization does the work. Everyone must be involved in the strategic management process. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-05 The need for greater empowerment throughout the organization. Level of Difficulty: 1 Easy Topic: The Strategic Management Perspective: An Imperative throughout the Organization* |

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| 23. | The vision of an organization is the top level of its hierarchy of organizational goals. The vision statement should be massively inspiring, overarching, and long term.    **TRUE**  A vision is a goal that is massively inspiring, overarching, and long term. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-06 How an awareness of a hierarchy of strategic goals can help an organization achieve coherence in its strategic direction. Level of Difficulty: 2 Medium Topic: Ensuring Coherence in Strategic Direction* |

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| 24. | Strategic objectives are more specific than vision statements.    **TRUE**  Strategic objectives are used to operationalize the mission statement. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-06 How an awareness of a hierarchy of strategic goals can help an organization achieve coherence in its strategic direction. Level of Difficulty: 2 Medium Topic: Ensuring Coherence in Strategic Direction* |

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| 25. | According to the text, a mission statement is an overarching statement that is massively inspiring, long term, and only discusses the purpose of the company.    **FALSE**  A mission statement is a set of organizational goals that includes the purpose of the organization, its scope of operations, and the basis of its competitive advantage. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-06 How an awareness of a hierarchy of strategic goals can help an organization achieve coherence in its strategic direction. Level of Difficulty: 1 Easy Topic: Ensuring Coherence in Strategic Direction* |

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| 26. | A mission statement encompasses both the purpose of the organization as well as its basis of competition, and the basis of its competitive advantage.    **TRUE**  A mission statement is a set of organizational goals that includes the purpose of the organization, its scope of operations, and the basis of its competitive advantage. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-06 How an awareness of a hierarchy of strategic goals can help an organization achieve coherence in its strategic direction. Level of Difficulty: 1 Easy Topic: Ensuring Coherence in Strategic Direction* |

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| 27. | Some excellent examples of mission statements are: To be the happiest place on earth (Disneyland) and Restoring patients to full life (Medtronic).    **FALSE**  These are examples of visions. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-06 How an awareness of a hierarchy of strategic goals can help an organization achieve coherence in its strategic direction. Level of Difficulty: 2 Medium Topic: Ensuring Coherence in Strategic Direction* |

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| 28. | Strategic objectives should be measurable, specific, appropriate, and realistic, but not constrained by time deadlines.    **FALSE**  Timely is one of the five criteria that strategic objectives must meet in order to be considered meaningful. There must be a time frame for achieving the objective. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-06 How an awareness of a hierarchy of strategic goals can help an organization achieve coherence in its strategic direction. Level of Difficulty: 1 Easy Topic: Ensuring Coherence in Strategic Direction* |

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| 29. | Much research has supported the notion that individuals work much harder when they are asked to do their best rather than when they are striving toward a specific goal.    **FALSE**  Challenging objectives can help to motivate and inspire employees to higher levels of commitment and effort. Much research has supported the notion that people work harder when they are striving toward specific goals instead of being asked simply to do their best. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-06 How an awareness of a hierarchy of strategic goals can help an organization achieve coherence in its strategic direction. Level of Difficulty: 2 Medium Topic: Ensuring Coherence in Strategic Direction* |

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| 30. | Objectives in organizations should be clear, stated, and known by employees throughout the organization.    **TRUE**  For objectives to be meaningful, they need to satisfy several criteria. For one, they must be specific. This provides a clear message as to what needs to be accomplished. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-06 How an awareness of a hierarchy of strategic goals can help an organization achieve coherence in its strategic direction. Level of Difficulty: 2 Medium Topic: Ensuring Coherence in Strategic Direction* |

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| 31. | Strategic management should only include short-term objectives. Long-term objectives are covered in the vision statement of the organization.    **FALSE**  Strategic objectives are typically more long term. Organizations have lower-level objectives that are more specific than strategic objectives. These are often referred to as short-term objectives. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-06 How an awareness of a hierarchy of strategic goals can help an organization achieve coherence in its strategic direction. Level of Difficulty: 2 Medium Topic: Ensuring Coherence in Strategic Direction* |

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| 32. | Organizational goals and objectives should be vague in order to allow for changes in strategy.    **FALSE**  Specific is one criterion for strategic objectives. This provides a clear message as to what needs to be accomplished. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-06 How an awareness of a hierarchy of strategic goals can help an organization achieve coherence in its strategic direction. Level of Difficulty: 1 Easy Topic: Ensuring Coherence in Strategic Direction* |

**Multiple Choice Questions**

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| 33. | The text addresses two perspectives of leadership as well as their implications. These two perspectives are:      |  |  | | --- | --- | | A. | romantic and unromantic |  |  |  | | --- | --- | | B. | romantic and internal control |  |  |  | | --- | --- | | C. | external control and unromantic |  |  |  | | --- | --- | | **D.** | romantic and external control |   The two perspectives of leadership are the romantic and the external control perspectives. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-01 The definition of strategic management and its four key attributes. Level of Difficulty: 1 Easy Topic: What is Strategic Management?* |

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| 34. | A CEO made a lot of mistakes in assessing the market and the competitive conditions and improperly redesigning the organization into numerous business units. Such errors led to significant performance declines. According to the text, this example illustrates the \_\_\_\_\_\_\_\_\_\_ perspective of leadership.      |  |  | | --- | --- | | A. | external control |  |  |  | | --- | --- | | **B.** | romantic |  |  |  | | --- | --- | | C. | internal mechanism |  |  |  | | --- | --- | | D. | operational |   In the romantic view of leadership, the implicit assumption is that the leader is the key force in determining the success (or lack of success) of an organization. This view dominates the popular press in business magazines such as Fortune, BusinessWeek, and Forbes, wherein the CEO is either lauded for the success of the firm or chided for its demise. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-01 The definition of strategic management and its four key attributes. Level of Difficulty: 2 Medium Topic: What is Strategic Management?* |

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| 35. | According to the text, the strategic management process entails three ongoing processes:      |  |  | | --- | --- | | A. | analyses, actions, and synthesis |  |  |  | | --- | --- | | **B.** | analyses, decisions, and actions |  |  |  | | --- | --- | | C. | analyses, evaluation, and critique |  |  |  | | --- | --- | | D. | analyses, synthesis, and antithesis |   The strategic management of an organization entails three ongoing processes: analyses, decisions, and actions. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-01 The definition of strategic management and its four key attributes. Level of Difficulty: 1 Easy Topic: What is Strategic Management?* |

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| 36. | Management innovations such as total quality, benchmarking, and business process reengineering cannot lead to sustainable competitive advantage because:      |  |  | | --- | --- | | A. | companies that have implemented these techniques have lost money |  |  |  | | --- | --- | | B. | there is no proof that these techniques work |  |  |  | | --- | --- | | C. | they cost too much money and effort to implement |  |  |  | | --- | --- | | **D.** | every company is trying to implement them and hence it does not make a company different from others |   The popular management innovations of the last two decades (total quality, just-in-time, benchmarking, business process reengineering and outsourcing) are all about operational effectiveness. Each of these is important, but none leads to sustainable competitive advantage because everyone is doing them. Strategy is all about being different. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-01 The definition of strategic management and its four key attributes. Level of Difficulty: 2 Medium Topic: What is Strategic Management?* |

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| 37. | The organizational versus the individual rationality perspective suggests that:      |  |  | | --- | --- | | A. | what is good for a functional area is always good for the organization |  |  |  | | --- | --- | | B. | what is good for the organization is always good for a functional area |  |  |  | | --- | --- | | **C.** | what is best for a functional area may not be best for the organization |  |  |  | | --- | --- | | D. | the incremental perspective may be best for functional areas while the "rational" perspective may be best for the organization |   Strategic management is directed toward overall organizational goals and objectives. Effort must be directed at what is best for the total organization, not just a single functional area. Some authors have referred to this perspective as organizational versus individual rationality. What might look rational or ideal for one functional area, such as operations, may not be in the best interest of the overall firm. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-01 The definition of strategic management and its four key attributes. Level of Difficulty: 1 Easy Topic: What is Strategic Management?* |

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| 38. | The four key attributes of strategic management include the idea that:      |  |  | | --- | --- | | **A.** | strategy must be directed toward overall organizational goals and objectives |  |  |  | | --- | --- | | B. | strategy must be focused on long-term objectives |  |  |  | | --- | --- | | C. | strategy must be focused on one specific area of an organization |  |  |  | | --- | --- | | D. | strategy must focus on competitor strengths |   The key attributes of strategic management are that it directs the organization toward overall goals and objectives, includes multiple stakeholders in decision making, needs to incorporate short-term and long-term perspectives, and recognizes trade-offs between efficiency and effectiveness. |

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| 39. | The four key attributes of strategic management include all of the following EXCEPT:      |  |  | | --- | --- | | A. | including multiple stakeholder interests in decision making |  |  |  | | --- | --- | | B. | incorporating both short-term and long-term perspectives |  |  |  | | --- | --- | | C. | recognizing the trade-offs between effectiveness and efficiency |  |  |  | | --- | --- | | **D.** | emphasis on the attainment of short-term objectives |   The key attributes of strategic management are that it directs the organization toward overall goals and objectives, includes multiple stakeholders in decision making, needs to incorporate short-term and long-term perspectives, and recognizes trade-offs between efficiency and effectiveness. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-01 The definition of strategic management and its four key attributes. Level of Difficulty: 1 Easy Topic: What is Strategic Management?* |

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| 40. | Effectiveness is often defined as:      |  |  | | --- | --- | | A. | doing things right |  |  |  | | --- | --- | | B. | stakeholder satisfaction |  |  |  | | --- | --- | | **C.** | doing the right thing |  |  |  | | --- | --- | | D. | productivity enhancement |   Effectiveness is tailoring actions to the needs of an organization rather than wasting effort, or doing the right thing. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-01 The definition of strategic management and its four key attributes. Level of Difficulty: 1 Easy Topic: What is Strategic Management?* |

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| 41. | All of the following are ambidextrous behaviors EXCEPT:      |  |  | | --- | --- | | A. | taking initiative and being alert to opportunities beyond the confines of one's own job |  |  |  | | --- | --- | | B. | being cooperative and seeking opportunities to combine one's efforts with others |  |  |  | | --- | --- | | **C.** | intensely focusing on the responsibilities of one individual and maximizing the output of the department in the organization in which that individual works |  |  |  | | --- | --- | | D. | being brokers, always looking to build internal linkages |   Ambidextrous behaviors include the following: (1) Individuals take time and are alert to opportunities beyond the confines of their own jobs; (2) they are cooperative and seek out opportunities to combine their efforts with others; (3) they are brokers, always looking to build internal networks; and (4) they are multitaskers, who are comfortable wearing more than one hat. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-01 The definition of strategic management and its four key attributes. Level of Difficulty: 2 Medium Topic: What is Strategic Management?* |

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| 42. | According to Henry Mintzberg, the realized strategies of a firm:      |  |  | | --- | --- | | **A.** | are a combination of deliberate and emergent strategies |  |  |  | | --- | --- | | B. | are a combination of deliberate and differentiation strategies |  |  |  | | --- | --- | | C. | must be based on the strategic plan of the company |  |  |  | | --- | --- | | D. | must be kept confidential for competitive reasons |   The final realized strategy of any firm is a combination of deliberate and emergent strategies. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-02 The strategic management process and its three interrelated and principal activities. Level of Difficulty: 2 Medium Topic: The Strategic Management Process* |

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| 43. | According to Henry Mintzberg, decisions following from the strategic analysis of the firm are its:      |  |  | | --- | --- | | A. | emergent strategy |  |  |  | | --- | --- | | B. | deliberate strategy |  |  |  | | --- | --- | | **C.** | intended strategy |  |  |  | | --- | --- | | D. | realized strategy |   Decisions following from analysis, in the alternative model by Mintzberg, constitute the intended strategy of the firm. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-02 The strategic management process and its three interrelated and principal activities. Level of Difficulty: 1 Easy Topic: The Strategic Management Process* |

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| 44. | \_\_\_\_\_\_\_\_\_\_ may be considered the advance work that must be done in order to effectively formulate and implement strategies.      |  |  | | --- | --- | | A. | Goal setting |  |  |  | | --- | --- | | B. | Corporate entrepreneurship |  |  |  | | --- | --- | | **C.** | Strategy analysis |  |  |  | | --- | --- | | D. | Organizational design |   Strategy analysis may be looked upon as the starting point of the strategic management process. It consists of the advance work that must be done in order to effectively formulate and implement strategies. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-02 The strategic management process and its three interrelated and principal activities. Level of Difficulty: 1 Easy Topic: The Strategic Management Process* |

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| 45. | \_\_\_\_\_\_\_\_\_\_ involves ensuring proper strategic controls and organizational designs.      |  |  | | --- | --- | | A. | Corporate governance |  |  |  | | --- | --- | | B. | Corporate-level strategy |  |  |  | | --- | --- | | **C.** | Strategy implementation |  |  |  | | --- | --- | | D. | Business-level strategy |   Strategy implementation involves ensuring proper strategic controls and organizational designs, which includes establishing effective means to coordinate and integrate activities within the firm as well as with its suppliers, customers, and alliance partners. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-02 The strategic management process and its three interrelated and principal activities. Level of Difficulty: 1 Easy Topic: The Strategic Management Process* |

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| 46. | The three participants in corporate governance are:      |  |  | | --- | --- | | A. | the shareholders, board of directors, and employees |  |  |  | | --- | --- | | B. | the shareholders, labor unions, and employees |  |  |  | | --- | --- | | **C.** | the shareholders, board of directors, and management |  |  |  | | --- | --- | | D. | the shareholders, banks and lending institutions, and management |   The primary participants in corporate governance are: (1) the shareholders, (2) the management (led by the chief executive officer), and (3) the board of directors. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-03 The vital role of corporate governance and stakeholder management; as well as how "symbiosis" can be achieved among an organization's stakeholders. Level of Difficulty: 1 Easy Topic: The Role of Corporate Governance and Stakeholder Management* |

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| 47. | While working to prioritize and fulfill their responsibilities, members of the board of directors of an organization should:      |  |  | | --- | --- | | A. | represent their own interests |  |  |  | | --- | --- | | **B.** | represent the interests of the shareholders |  |  |  | | --- | --- | | C. | direct all actions of the CEO |  |  |  | | --- | --- | | D. | emphasize the importance of short-term goals |   The board of directors (BOD) are the elected representatives of the shareholders charged with ensuring that the interests and motives of management are aligned with those of the owners (i.e., shareholders). |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-03 The vital role of corporate governance and stakeholder management; as well as how "symbiosis" can be achieved among an organization's stakeholders. Level of Difficulty: 2 Medium Topic: The Role of Corporate Governance and Stakeholder Management* |

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| 48. | Members of boards of directors are:      |  |  | | --- | --- | | A. | appointed by the Securities and Exchange Commission |  |  |  | | --- | --- | | **B.** | elected by the shareholders as their representatives |  |  |  | | --- | --- | | C. | elected by the public |  |  |  | | --- | --- | | D. | only allowed to serve one term of four years |   The board of directors (BOD) are the elected representatives of the shareholders charged with ensuring that the interests and motives of management are aligned with those of the owners (i.e., shareholders). |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-03 The vital role of corporate governance and stakeholder management; as well as how "symbiosis" can be achieved among an organization's stakeholders. Level of Difficulty: 2 Medium Topic: The Role of Corporate Governance and Stakeholder Management* |

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| 49. | An organization is responsible to many different entities. In order to meet the demands of these groups, organizations must participate in stakeholder management. Stakeholder management means that:      |  |  | | --- | --- | | **A.** | interests of the stockholders are not the only interests that matter |  |  |  | | --- | --- | | B. | stakeholders are second in importance to the stockholders |  |  |  | | --- | --- | | C. | stakeholders and managers inevitably work at cross-purposes |  |  |  | | --- | --- | | D. | all stakeholders receive financial rewards |   Stakeholder management is the strategy of the firm for recognizing and responding to the interests of all its salient stakeholders. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-03 The vital role of corporate governance and stakeholder management; as well as how "symbiosis" can be achieved among an organization's stakeholders. Level of Difficulty: 1 Easy Topic: The Role of Corporate Governance and Stakeholder Management* |

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| 50. | Stakeholders are:      |  |  | | --- | --- | | A. | a new way to describe stockholders |  |  |  | | --- | --- | | **B.** | individuals, groups, and organizations who have a stake in the success of the organization |  |  |  | | --- | --- | | C. | creditors who hold a lien on the assets of the organization |  |  |  | | --- | --- | | D. | attorneys and their clients who sue the organization |   A stakeholder can be defined as an individual or group, inside or outside the company, that has a stake in and can influence an organization's performance. Each stakeholder group makes various claims on the company. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-03 The vital role of corporate governance and stakeholder management; as well as how "symbiosis" can be achieved among an organization's stakeholders. Level of Difficulty: 1 Easy Topic: The Role of Corporate Governance and Stakeholder Management* |

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| 51. | Procter and Gamble has perfected a technique for compacting cleaning powder into a liquid concentration. Consumers, retailers, shipping and wholesalers, and environmentalists all have benefited from the resulting change in consumer shopping habits and the revolution in industry supply-chain economics. According to the text, this is an example of \_\_\_\_\_\_\_\_\_\_.      |  |  | | --- | --- | | A. | zero-sum relationship among stakeholders |  |  |  | | --- | --- | | **B.** | stakeholder symbiosis |  |  |  | | --- | --- | | C. | rewarding stakeholders |  |  |  | | --- | --- | | D. | emphasizing financial returns |   Organizations can achieve mutual benefit through stakeholder symbiosis, which recognizes that stakeholders are dependent upon each other for their success and well-being. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-03 The vital role of corporate governance and stakeholder management; as well as how "symbiosis" can be achieved among an organization's stakeholders. Level of Difficulty: 2 Medium Topic: The Role of Corporate Governance and Stakeholder Management* |

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| 52. | There are several perspectives of competition. One perspective is zero-sum thinking. Zero-sum thinking means that:      |  |  | | --- | --- | | A. | all parts of the organization gain at no loss |  |  |  | | --- | --- | | B. | in order for someone to gain others must experience no gain or benefit |  |  |  | | --- | --- | | **C.** | one can only gain at the expense of someone else |  |  |  | | --- | --- | | D. | everyone in the organization shares gains and losses equally |   In the zero-sum view, the role of management is to look upon the various stakeholders as competing for the resources of the organization. In essence, the gain of one individual or group is the loss of another individual or group. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-03 The vital role of corporate governance and stakeholder management; as well as how "symbiosis" can be achieved among an organization's stakeholders. Level of Difficulty: 1 Easy Topic: The Role of Corporate Governance and Stakeholder Management* |

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| 53. | Managers should do more than just focus on short-term financial performance. One concept that helps managers do this is stakeholder symbiosis. This means that:      |  |  | | --- | --- | | **A.** | stakeholders are dependent on each other for their success |  |  |  | | --- | --- | | B. | stakeholders look out for their individual interests |  |  |  | | --- | --- | | C. | one can only gain at the expense of someone else |  |  |  | | --- | --- | | D. | all stakeholders want to maximize shareholder returns |   Organizations can achieve mutual benefit through stakeholder symbiosis, which recognizes that stakeholders are dependent upon each other for their success and well-being. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-03 The vital role of corporate governance and stakeholder management; as well as how "symbiosis" can be achieved among an organization's stakeholders. Level of Difficulty: 1 Easy Topic: The Role of Corporate Governance and Stakeholder Management* |

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| 54. | Firms must be aware of goals other than short-term profit maximization. One area of concern should be social responsibility which is:      |  |  | | --- | --- | | **A.** | the expectation that business will strive to improve the overall welfare of society |  |  |  | | --- | --- | | B. | the idea that organizations are solely responsible to local citizens |  |  |  | | --- | --- | | C. | the fact that court costs could impact the financial bottom line |  |  |  | | --- | --- | | D. | the idea that businesses are responsible to maintain a healthy social climate for their employees |   Social responsibility is the expectation that businesses or individuals will strive to improve the overall welfare of society. From the perspective of a business, this means that managers must take active steps to make society better by virtue of the business being in existence. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-04 The importance of social responsibility; including environmental sustainability; and how it can enhance a corporation's innovation strategy. Level of Difficulty: 1 Easy Topic: The Role of Corporate Governance and Stakeholder Management* |

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| 55. | According to the text, the triple bottom line approach to corporate accounting includes three components:      |  |  | | --- | --- | | A. | financial, environmental, and customer |  |  |  | | --- | --- | | B. | financial, organizational, and customer |  |  |  | | --- | --- | | **C.** | financial, environmental, and social |  |  |  | | --- | --- | | D. | financial, organizational, and psychological |   Many companies are now measuring what has been called a triple bottom line. This involves assessing financial, social, and environmental performance. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-04 The importance of social responsibility; including environmental sustainability; and how it can enhance a corporation's innovation strategy. Level of Difficulty: 1 Easy Topic: The Role of Corporate Governance and Stakeholder Management* |

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| 56. | Many organizations have a large number of functional areas with very diverse and sometimes competing interests. Such organizations will be most effective if:      |  |  | | --- | --- | | A. | each functional area focuses on achieving their own goals |  |  |  | | --- | --- | | **B.** | functional areas work together to attain overall goals |  |  |  | | --- | --- | | C. | goals are defined at the bottom and implemented at the top |  |  |  | | --- | --- | | D. | management and employees have separate goals |   Strategic management requires managers to take an integrative view of the organization and assess how all of the functional areas and activities fit together to help an organization achieve its goals and objectives. This cannot be accomplished if only the top managers in the organization take an integrative, strategic perspective of issues facing the firm and everyone else fends for themselves in their independent, isolated functional areas. Instead, people throughout the organization must strive toward overall goals. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-05 The need for greater empowerment throughout the organization. Level of Difficulty: 2 Medium Topic: The Strategic Management Perspective: An Imperative throughout the Organization* |

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| 57. | Strategy formulation and implementation is a challenging ongoing process. To be effective, it should not involve:      |  |  | | --- | --- | | A. | the CEO and the board of directors |  |  |  | | --- | --- | | B. | the board of directors, CEO, and CFO |  |  |  | | --- | --- | | **C.** | competitors |  |  |  | | --- | --- | | D. | line and staff managers |   To develop and mobilize people and other assets, leaders are needed throughout the organization. No longer can organizations be effective if the top does the thinking and the rest of the organization does the work. People throughout the organization must strive toward overall goals. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-05 The need for greater empowerment throughout the organization. Level of Difficulty: 2 Medium Topic: The Strategic Management Perspective: An Imperative throughout the Organization* |

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| 58. | The text argues that a strategic perspective in an organization should be emphasized:      |  |  | | --- | --- | | A. | at the top of the organization |  |  |  | | --- | --- | | B. | at the middle of the organization |  |  |  | | --- | --- | | **C.** | throughout the organization |  |  |  | | --- | --- | | D. | from the bottom up |   No longer can organizations be effective if the top does the thinking and the rest of the organization does the work. People throughout the organization must strive toward overall goals. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-05 The need for greater empowerment throughout the organization. Level of Difficulty: 2 Medium Topic: The Strategic Management Perspective: An Imperative throughout the Organization* |

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| 59. | Peter Senge, of MIT, recognized three types of leaders. \_\_\_\_\_\_\_\_\_\_ are individuals that, although having little positional power and formal authority, generate their power through the conviction and clarity of their ideas.      |  |  | | --- | --- | | A. | Local line leaders |  |  |  | | --- | --- | | B. | Executive leaders |  |  |  | | --- | --- | | **C.** | Internal networkers |  |  |  | | --- | --- | | D. | Shop floor leaders |   Internal networkers, although they have little positional power and formal authority, generate their power through the conviction and clarity of their ideas. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-05 The need for greater empowerment throughout the organization. Level of Difficulty: 1 Easy Topic: The Strategic Management Perspective: An Imperative throughout the Organization* |

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| 60. | Peter Senge, of MIT, recognized three types of leaders. \_\_\_\_\_\_\_\_\_\_ champion and guide ideas, create a learning infrastructure, and establish a domain for taking action.      |  |  | | --- | --- | | A. | Local line leaders |  |  |  | | --- | --- | | **B.** | Executive leaders |  |  |  | | --- | --- | | C. | Internal networkers |  |  |  | | --- | --- | | D. | Shop floor leaders |   Executive leaders champion and guide ideas, create a learning infrastructure, and establish a domain for taking action. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-05 The need for greater empowerment throughout the organization. Level of Difficulty: 1 Easy Topic: The Strategic Management Perspective: An Imperative throughout the Organization* |

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| 61. | Leadership is a necessary (but not sufficient) condition for organizational success. Leaders should emerge at which level(s) of an organization?      |  |  | | --- | --- | | A. | only at the top |  |  |  | | --- | --- | | B. | in the middle |  |  |  | | --- | --- | | **C.** | throughout the organization |  |  |  | | --- | --- | | D. | only during times of change |   To develop and mobilize people and other assets, leaders are needed throughout the organization. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-05 The need for greater empowerment throughout the organization. Level of Difficulty: 2 Medium Topic: The Strategic Management Perspective: An Imperative throughout the Organization* |

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| 62. | The hierarchy of organizational goals is in this order (least specific to most specific):      |  |  | | --- | --- | | A. | vision statements, strategic objectives, mission statements |  |  |  | | --- | --- | | B. | mission statements, strategic objectives, vision statements |  |  |  | | --- | --- | | **C.** | vision statements, mission statements, strategic objectives |  |  |  | | --- | --- | | D. | mission statements, vision statements, strategic objectives |   Organizations express priorities best through stated goals and objectives that form a hierarchy of goals, which includes its vision, mission, and strategic objectives. What visions may lack in specificity, they make up for in their ability to evoke powerful and compelling mental images. On the other hand, strategic objectives tend to be more specific and provide a more direct means of determining if the organization is moving toward broader, overall goals. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-06 How an awareness of a hierarchy of strategic goals can help an organization achieve coherence in its strategic direction. Level of Difficulty: 1 Easy Topic: Ensuring Coherence in Strategic Direction* |

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| 63. | Vision statements are used to create a better understanding of the overall purpose and direction of the organization. Vision statements:      |  |  | | --- | --- | | A. | are very specific |  |  |  | | --- | --- | | B. | provide specific objectives |  |  |  | | --- | --- | | C. | set organizational structure |  |  |  | | --- | --- | | **D.** | evoke powerful and compelling mental images |   A vision is an organizational goal(s) that evoke(s) powerful and compelling mental images. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-06 How an awareness of a hierarchy of strategic goals can help an organization achieve coherence in its strategic direction. Level of Difficulty: 1 Easy Topic: Ensuring Coherence in Strategic Direction* |

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| 64. | Effective vision statements include:      |  |  | | --- | --- | | A. | all strategic directions of the organization |  |  |  | | --- | --- | | **B.** | a brief statement of the company's direction |  |  |  | | --- | --- | | C. | strategic posturing and future objectives |  |  |  | | --- | --- | | D. | financial objectives and projected figures |   A vision is a goal that is massively inspiring, overarching, and long term. It represents a destination that is driven by and evokes passion. What visions may lack in specificity, they make up for in their ability to evoke powerful and compelling mental images. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-06 How an awareness of a hierarchy of strategic goals can help an organization achieve coherence in its strategic direction. Level of Difficulty: 1 Easy Topic: Ensuring Coherence in Strategic Direction* |

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| 65. | Examples of \_\_\_\_\_\_\_\_\_\_ include: To be the happiest place on earth (Disneyland), and Restoring patients to full life (Medtronic).      |  |  | | --- | --- | | **A.** | vision statements |  |  |  | | --- | --- | | B. | mission statements |  |  |  | | --- | --- | | C. | strategic objectives |  |  |  | | --- | --- | | D. | operational objectives |   One of the most famous examples of a vision is that of Disneyland (To be the happiest place on earth). Another example is that of Medtronic (Restoring patients to full life). |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-06 How an awareness of a hierarchy of strategic goals can help an organization achieve coherence in its strategic direction. Level of Difficulty: 2 Medium Topic: Ensuring Coherence in Strategic Direction* |

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| 66. | WellPoint Health Network states: WellPoint will redefine our industry: through a new generation of consumer-friendly products that put individuals back in control of their future. This is an example of a:      |  |  | | --- | --- | | A. | strategic objective |  |  |  | | --- | --- | | **B.** | vision statement |  |  |  | | --- | --- | | C. | vague statement of direction |  |  |  | | --- | --- | | D. | line manager's individual goal |   Effective visions provide a fundamental statement of the values, aspirations and goals of an organization. Such visions go well beyond narrow financial objectives, of course, and strive to capture both the minds and hearts of employees. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-06 How an awareness of a hierarchy of strategic goals can help an organization achieve coherence in its strategic direction. Level of Difficulty: 2 Medium Topic: Ensuring Coherence in Strategic Direction* |

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| 67. | In contrast to the vision of an organization, its mission should:      |  |  | | --- | --- | | A. | be shorter in length |  |  |  | | --- | --- | | **B.** | encompass both the purpose of the company as well as the basis of competition |  |  |  | | --- | --- | | C. | encompass all the major rules and regulations of the corporate work force |  |  |  | | --- | --- | | D. | be less detailed. |   The mission statement of a company differs from its vision in that it encompasses both the purpose of the company as well as the basis of competition and competitive advantage. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-06 How an awareness of a hierarchy of strategic goals can help an organization achieve coherence in its strategic direction. Level of Difficulty: 1 Easy Topic: Ensuring Coherence in Strategic Direction* |

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| 68. | The vision and mission statements of a company set the overall direction of the organization. Strategic objectives serve what role?      |  |  | | --- | --- | | **A.** | operationalize the mission statement |  |  |  | | --- | --- | | B. | modify the mission statement |  |  |  | | --- | --- | | C. | are a shorter version of the mission statement |  |  |  | | --- | --- | | D. | are only clarified by the board of directors |   Strategic objectives are used to operationalize the mission statement. That is, they help to provide guidance on how the organization can fulfill or move toward the higher goals in the goal hierarchy, that of the mission and vision. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-06 How an awareness of a hierarchy of strategic goals can help an organization achieve coherence in its strategic direction. Level of Difficulty: 1 Easy Topic: Ensuring Coherence in Strategic Direction* |

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| 69. | Successful organizations are effective in motivating people. Employees work best when:      |  |  | | --- | --- | | A. | they are asked to do their best |  |  |  | | --- | --- | | B. | work requirements are vague and unclear |  |  |  | | --- | --- | | **C.** | they are striving toward specific goals |  |  |  | | --- | --- | | D. | they are guided by an abstract mission statement |   Challenging objectives can help to motivate and inspire employees to higher levels of commitment and effort. Much research has supported the notion that people work harder when they are striving toward specific goals instead of being asked simply to do their best. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-06 How an awareness of a hierarchy of strategic goals can help an organization achieve coherence in its strategic direction. Level of Difficulty: 2 Medium Topic: Ensuring Coherence in Strategic Direction* |

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| 70. | Fortune Brands states they will cut corporate overhead costs by $30 million a year. This is an example of a:      |  |  | | --- | --- | | A. | nonfinancial strategic objective |  |  |  | | --- | --- | | **B.** | financial strategic objective |  |  |  | | --- | --- | | C. | vision statement |  |  |  | | --- | --- | | D. | mission statement |   Strategic objectives are used to operationalize the mission statement. This is an example of a financial strategic objective. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-06 How an awareness of a hierarchy of strategic goals can help an organization achieve coherence in its strategic direction. Level of Difficulty: 2 Medium Topic: Ensuring Coherence in Strategic Direction* |

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| 71. | We want to be the top-ranked supplier to our customers. (PPG) This is an example of a:      |  |  | | --- | --- | | **A.** | nonfinancial strategic objective |  |  |  | | --- | --- | | B. | financial strategic objective. |  |  |  | | --- | --- | | C. | vision statement |  |  |  | | --- | --- | | D. | mission statement |   Strategic objectives are used to operationalize the mission statement. This is an example of a nonfinancial strategic objective. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-06 How an awareness of a hierarchy of strategic goals can help an organization achieve coherence in its strategic direction. Level of Difficulty: 2 Medium Topic: Ensuring Coherence in Strategic Direction* |

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| 72. | In large organizations, conflicts can arise between functional areas. In order to resolve these conflicts, strategic objectives:      |  |  | | --- | --- | | A. | put financial objectives above human considerations |  |  |  | | --- | --- | | B. | align departments toward departmental goals |  |  |  | | --- | --- | | **C.** | help resolve conflicts through their common purpose |  |  |  | | --- | --- | | D. | cause debate and increase conflict |   There is always the potential for different parts of an organization to pursue their own goals rather than overall company goals. Although well intentioned, these may work at cross-purposes to the organization as a whole. Meaningful objectives thus help to resolve conflicts when they arise. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-06 How an awareness of a hierarchy of strategic goals can help an organization achieve coherence in its strategic direction. Level of Difficulty: 2 Medium Topic: Ensuring Coherence in Strategic Direction* |

**Essay Questions**

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| 73. | The strategic management process includes strategy analysis, strategy formulation, and strategy implementation. Discuss each of these steps.     Answers will vary. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-02 The strategic management process and its three interrelated and principal activities. Level of Difficulty: 2 Medium Topic: The Strategic Management Process* |

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| 74. | Discuss the key elements of corporate governance.     Answers will vary. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-03 The vital role of corporate governance and stakeholder management; as well as how "symbiosis" can be achieved among an organization's stakeholders. Level of Difficulty: 2 Medium Topic: The Role of Corporate Governance and Stakeholder Management* |

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| 75. | A firm has a variety of stakeholders. Identify several possible stakeholders a firm may have and discuss how the firm may achieve stakeholder symbiosis.     Answers will vary. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-03 The vital role of corporate governance and stakeholder management; as well as how "symbiosis" can be achieved among an organization's stakeholders. Level of Difficulty: 2 Medium Topic: The Role of Corporate Governance and Stakeholder Management* |

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| 76. | Leadership is a topic that is often discussed in the management literature. The text suggests that leaders should be at all levels in an organization. Discuss why it is important to have leaders throughout an organization.     Answers will vary. |

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| *AACSB: Analytic Blooms: Apply Learning Objective: 01-05 The need for greater empowerment throughout the organization. Level of Difficulty: 3 Hard Topic: The Strategic Management Perspective: An Imperative throughout the Organization* |

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| 77. | According to the text, vision statements should be massively inspiring, overarching, and long term. Provide several examples of potential vision statements for various organizations and discuss how such vision statements would inspire employees around a cause.     Answers will vary. |

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| *AACSB: Analytic Blooms: Apply Learning Objective: 01-06 How an awareness of a hierarchy of strategic goals can help an organization achieve coherence in its strategic direction. Level of Difficulty: 3 Hard Topic: Ensuring Coherence in Strategic Direction* |

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| 78. | A mission statement encompasses the purpose of the company as well as the basis of competition and competitive advantage. Compare the purpose of a mission statement to that of a vision statement and a strategic objective.     Answers will vary. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-06 How an awareness of a hierarchy of strategic goals can help an organization achieve coherence in its strategic direction. Level of Difficulty: 2 Medium Topic: Ensuring Coherence in Strategic Direction* |

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| 79. | Organizations must focus on financial and nonfinancial objectives. Select an organization and discuss possible financial and nonfinancial objectives the organization may have.     Answers will vary. |

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| *AACSB: Analytic Blooms: Apply Learning Objective: 01-06 How an awareness of a hierarchy of strategic goals can help an organization achieve coherence in its strategic direction. Level of Difficulty: 3 Hard Topic: Ensuring Coherence in Strategic Direction* |

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| 80. | The text discusses several characteristics of effective strategic objectives. List several of these and discuss why the strategic objectives of a firm should meet these criteria.     Answers will vary. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-06 How an awareness of a hierarchy of strategic goals can help an organization achieve coherence in its strategic direction. Level of Difficulty: 2 Medium Topic: Ensuring Coherence in Strategic Direction* |