Chapter 01

Strategic Management: Creating Competitive Advantages

True / False Questions

1. Hewlett-Packard's failure and success under the leadership first of Carly Fiorina and then of Mark Hurd was said to be a direct result of the quality of leadership of each of these CEOs. According to the text, this would be an example of the "romantic" perspective of leadership.

   True   False

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

   True   False

3. Strategic management is concerned with the analysis of strategic goals as stated in the vision, mission, and strategic objectives of a firm.

   True   False

4. The three interrelated and principal activities of strategic management are: strategy analysis, strategy formulation, and strategy implementation.

   True   False

5. Strategic management is *not* concerned with how to create competitive advantage in the marketplace.

   True   False

6. 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

7. Making trade-off decisions between effectiveness and efficiency is central to the practice of strategic management.

   True   False

8. Only shareholders in a publicly held company are stakeholders because they are the only group that has a stake in the success of the organization.

   True   False

9. Strategic management is only concerned with short-term perspectives.

   True   False

10. Focusing on a single stakeholder is a good strategic principle for managers to follow.

    True   False

11. According to Peter Senge, a leading strategic management author, creative tension results from the need to incorporate both short-term and long-term perspectives in strategic management.

    True   False

12. Shareholders expect only short-term value and therefore good managers should only focus on meeting short-term performance targets.

    True   False

13. Focusing on the short term and efficiency is always a bad management principle.

    True   False

14. Ambidexterity refers to a manager's challenge to align resources, without having to take advantage of existing product markets or to proactively explore new opportunities.

    True   False

15. According to a recent study involving 41 business units in 10 multinational companies, one ambidextrous behavior exhibited by managers is that of being brokers who are always looking to build internal networks.

    True   False

16. According to Henry Mintzberg, a management scholar, most firms realize their original intended strategy.

    True   False

17. The final realized strategy of a firm is a combination of deliberate and emergent strategies.

    True   False

18. In the Mintzberg model, organizational decisions determined only by analysis are intended strategy.

    True   False

19. Strategy analysis is the study of the external environments of the firm.

    True   False

20. Both the internal and external environments of a firm must be analyzed as well as the goals of the firm before managers can formulate and implement appropriate strategies.

    True   False

21. Strategy formulation involves decisions made by firms regarding investments, commitments, and other aspects of operations that create and sustain competitive advantage.

    True   False

22. All successful firms compete and outperform their rivals by developing bases for competitive advantage, which can be achieved only through cost leadership.

    True   False

23. 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

24. Corporate-level strategy addresses how firms compete and outperform their rivals as well as achieve and sustain competitive advantages.

    True   False

25. International strategy involves decisions concerning appropriate entry strategy and attaining competitive advantage in international markets.

    True   False

26. Entrepreneurial activity aimed at new value creation is *not* a major engine for economic growth.

    True   False

27. Strategy implementation involves actions that carry out the formulated strategy including proper strategic controls, organizational designs, and leadership.

    True   False

28. 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

29. Firms must exercise either informational control or behavioral control in order to assure proper strategy implementation.

    True   False

30. Leaders are responsible for creating a learning organization so that the entire organization can benefit only from the individual talents.

    True   False

31. 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

32. Decisions by boards of directors are always consistent with shareholder interests.

    True   False

33. Ensuring effective corporate governance requires an effective and engaged board of directors, uninvolved shareholders, and proper managerial rewards and incentives.

    True   False

34. Auditors, banks, and analysts are external control mechanisms to ensure effective corporate governance.

    True   False

35. 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

36. Stakeholders make various claims on a company. Their interests must be taken into account in the strategic management process.

    True   False

37. Stockholders in a company are the only individuals with an interest in the financial performance of the company.

    True   False

38. Stockholders, employees, and the community-at-large are among the stakeholders of a firm.

    True   False

39. Symbiosis is the ability to recognize interdependencies among the interests of multiple stakeholders within and outside an organization.

    True   False

40. 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

41. Partnering with governments, communities, suppliers, customers, and rivals is a way to manage conflicting stakeholder interests.

    True   False

42. The Higgs Index enables companies to compare environmental performance outcomes in order to improve their environmental impact and is an example of how rivals work together to resolve complex problems.

    True   False

43. As a stakeholder group, creditors are interested in taxes and compliance with regulations.

    True   False

44. As a stakeholder group, customers are interested in dividends and capital appreciation.

    True   False

45. As a stakeholder group, communities are interested in good citizenship behavior.

   True   False

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

   True   False

47. What constitutes socially responsible behavior changes over time.

   True   False

48. 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

49. Demands for greater corporate responsibility are decreasing today.

   True   False

50. A key stakeholder group that appears to be particularly susceptible to corporate social responsibility (CSR) initiatives is customers.

   True   False

51. There is a positive influence of CSR on the consumer evaluation of companies and their purchasing decisions, according to recent studies.

   True   False

52. Environmental sustainability is a value embraced by the most competitive and successful multinational companies.

   True   False

53. For many successful firms, environmental values are not central to the company culture and management processes.

   True   False

54. Sustainability is being increasingly recognized as a source of cost efficiencies and revenue growth.

   True   False

55. The ROIs on sustainability projects are often very difficult to quantify because the data necessary to calculate ROI accurately are often not available when it comes to sustainability projects.

   True   False

56. Many of the benefits from sustainability projects are intangible, making it difficult to calculate the ROI.

   True   False

57. The intangible benefits of sustainability projects, such as reducing risks, staying ahead of regulations, pleasing communities, and enhancing employee morale, are substantial even when they are difficult to quantify.

    True   False

58. Sustainability projects often require shorter-term payback windows than other projects.

    True   False

59. Sustainability initiatives rarely have difficulty making it through the conventional approval process within corporations because managers are *not* concerned about their return on investment.

    True   False

60. The ROI on a sustainability project generally is easy to quantify.

    True   False

61. Strategic management requires managers at all levels of the organization to take a segregated view of the organization.

    True   False

62. 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

63. To develop and mobilize people and other assets, leaders are needed throughout the organization.

    True   False

64. In the strategic management process, only local line leaders and executive leaders are needed.

    True   False

65. Internal networks have great positional power and formal authority.

    True   False

66. Local line leaders have little profit-and-loss responsibility.

    True   False

67. Executive leaders champion and guide ideas.

    True   False

68. Local line leaders are key in setting the tone for the empowerment of employees.

    True   False

69. Richard Branson, the founder of the Virgin Group, is well known for creating an inclusive organizational structure in which anybody in the organization can be involved in generating and activating upon new business ideas.

    True   False

70. To inculcate a strategic management perspective, managers must often make a major effort to effect transformational change.

    True   False

71. To effect transformational change in an organization, managers must communicate extensively and provide incentives, training, and development.

    True   False

72. Nancy Snyder, corporate vice president of Whirlpool, shifted the reputation of the firm to that of an innovator by investing financially in capital spending.

    True   False

73. Successful executives do not reward honesty and input and do not show their interest in learning what others are thinking.

    True   False

74. According to the CEO of IDEO, Tim Brown, spotting and promoting at any level in the firm is important.

    True   False

75. There are few benefits to having broad investment throughout the organization in the strategic management process.

    True   False

76. Showing interest in learning what others are thinking is a leadership weakness.

    True   False

77. 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

78. Strategic objectives are more specific than vision statements.

    True   False

79. 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

80. 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

81. Strategic objectives should be measurable, specific, appropriate, and realistic, but not constrained by time deadlines.

    True   False

82. 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

83. Objectives in organizations should be clear, stated, and known by employees throughout the organization.

    True   False

84. Strategic management should only include short-term objectives. Long-term objectives are covered in the vision statement of the organization.

    True   False

85. Organizational goals and objectives should be vague in order to allow for changes in strategy.

    True   False

86. An idealistic vision can arouse employee enthusiasm and therefore is a good vision.

    True   False

87. One of the reasons a vision fails is that too much focus can lead to missed opportunities.

    True   False

88. Visions need to be anchored in reality in order to be successful.

    True   False

89. Effective mission statements incorporate the concept of stakeholder management, suggesting that organizations must respond to a single constituency.

    True   False

90. A good mission statement, by addressing each principal theme, must communicate why an organization is special and different.

    True   False

91. When formulating strategic objectives, managers need to remember that too many objectives can result in a lack of focus and diminished results.

    True   False

Multiple Choice Questions

92. 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.

93. 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

94. According to the external control view of leadership, which of the following factors would *not* be considered an external factor that might positively or negatively affect a firm's success?

    A. economic downturns
    B. governmental legislation
    C. outbreak of war
    D. company employee morale

95. Melvin Alexander, executive director of Principled Solutions Enterprise, a management consulting firm specializing in health care, suggests that environmental changes oblige firms to make strategic changes in order to survive. Which of the following is one of the strategic changes he foresees will occur in the next three to five years?

    A. changes in the behavior of the health care consumers
    B. reduction in the number of available medical doctors
    C. increases in the number of locations of health care facilities
    D. decreases in information technology investment

96. According to the text, the strategic management process entails three ongoing processes. They are

    A. analyses, actions, and synthesis.
    B. analyses, decisions, and actions.
    C. analyses, evaluation, and critique.
    D. analyses, synthesis, and decisions.

97. 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.

98. The organizational versus the individual rationality perspective suggests that objectives that are

    A. good for a functional area are always good for the overall organization.
    B. good for the overall organization are always best for a functional area.
    C. best for a functional area may not be best for the overall organization.
    D. best for one functional area will never be best for all functional areas.

99. The four key attributes of strategic management include the idea that strategy must

    A. be directed toward overall organizational goals and objectives.
    B. be focused only on long-term objectives.
    C. be focused on only one specific area of an organization.
    D. focus only on competitor strengths.

100. 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.

101. Effectiveness is often defined as

    A. doing things right.
    B. stakeholder satisfaction.
    C. doing the right thing.
    D. productivity enhancement.

102. In choosing to focus on stakeholders, which of the following will *not* lead to success for a manager?

    A. shareholders and employees
    B. employees and suppliers
    C. customers and the community at large
    D. customers only

103. In strategic management, both the short-term and long-term perspectives need to be considered because

    A. shareholder value is only measured by short-term returns.
    B. shareholders only care about long-term returns.
    C. long-term vision precludes the analysis of present operating needs.
    D. the creative tension between the two forces managers to develop more successful strategy.

104. Strategic management involves the recognition of trade-offs between effectiveness and

    A. cost.
    B. value.
    C. return on investment.
    D. efficiency.

105. All of the following are ambidextrous behaviors *except*

    A. taking initiative and being alert to opportunities beyond the job description.
    B. being cooperative and seeking opportunities to combine personal efforts with that of 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.

106. Ambidextrous behaviors in individuals illustrate how a dual capacity for _____ can be woven into the fabric of an organization at the individual level.

    A. alignment and adaptability
    B. alignment and transparency
    C. alignment and internal linkages
    D. alignment and efficiency

107. According to Henry Mintzberg, the final realized strategy of a firm is

    A. a combination of deliberate and emergent strategies.
    B. a combination of deliberate and differentiation strategies.
    C. not deliberate.
    D. a result of unrealized intended strategy.

108. _____ 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

109. Strategy analysis is the starting point of the strategic management process and consists of the

    A. analysis only of the vision, mission, and objectives of the firm.
    B. analysis of the relevant internal and external environmental factors only.
    C. analysis of relevant competitors only.
    D. matching of vision, mission, and objectives with the relevant internal and external environmental factors.

110. Strategy formulation at the business level addresses best how to compete in a given business:

    A. to attain competitive advantage
    B. to reduce costs
    C. to decrease buyer power
    D. to thwart entry of new rivals

111. Corporate level strategy focuses on what businesses to compete in and

    A. how business can be managed to achieve synergy.
    B. how business can be managed to reduce synergy.
    C. how the firm can work as a stand-alone entity.
    D. how the firm can create more value by operating alone.

112. Corporate-level strategy looks at how to manage the _____ of its businesses to create synergies.

    A. portfolio
    B. stock prices
    C. competitors
    D. market pricing

113. Entering foreign markets requires firms to ascertain foremost how they will attain

    A. market share.
    B. low costs.
    C. competitive advantage.
    D. low returns on investment.

114. New value creation is a major engine for economic growth and is the main focus of _____ strategy.

    A. portfolio
    B. corporate-level
    C. business-level
    D. entrepreneurial

115. Two types of strategic control that firms must exercise for good strategy implementation are

   A. informational and confrontational.
   B. confrontational and behavioral.
   C. behavioral and financial.
   D. informational and behavioral.

116. Effective organizational design means that firms must have _____ that are consistent with their strategy.

   A. designs and plans
   B. organizational structures and designs
   C. adopters and designs
   D. adopters and plans

117. Learning organizations permit the entire organization to benefit from _____ talents.

   A. internal and external
   B. individual and collective
   C. internal and collective
   D. external and individual

118. Effective leaders set a direction and develop an organization so that it is committed to excellence and _____ behavior.

   A. performant
   B. strategic
   C. ethical
   D. positive

119. Strategies should be formulated that enhance foremost the _____ capacity of a firm.

   A. innovative
   B. learning
   C. implementation
   D. business-level

120. The three participants in corporate governance are the shareholders,

   A. board of directors, and employees.
   B. labor unions, and employees.
   C. board of directors, and management.
   D. banks and lending institutions, and management.

121. 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.

122. 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.

123. 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.

124. 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.

125. 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.

126. 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.

127. Managers should do more than 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.

128. Employee stakeholders are concerned with

    A. taxes, warranties, and regulations.
    B. wages, benefits, and job security.
    C. good citizenship behavior.
    D. dividends.

129. Stockholders as a stakeholder group are interested primarily by

    A. payment of interest and repayment of principal.
    B. value and warranties.
    C. dividends and capital appreciation.
    D. taxes and compliance with regulations.

130. The Sustainable Apparel Coalition accounts for more than one-third of the global

    A. apparel and washing product industry.
    B. consumer product industry.
    C. refinery industry.
    D. apparel and footwear industry.

131. Wall Street executives have received excessive bonus pay in the past. This concerns which of the following stakeholder groups most directly?

    A. government
    B. suppliers
    C. creditors
    D. stockholders

132. Supplier stakeholders are concerned with

    A. assurance of a continued relationship with the firm.
    B. employee benefits.
    C. safe working conditions.
    D. capital appreciation.

133. Community stakeholders are concerned primarily with

   A. product warranties.
   B. corporate citizenship behavior.
   C. capital appreciation.
   D. repayment of principal.

134. Firms must be aware of goals other than short-term profit maximization. One area of concern should be social responsibility, which is the

   A. expectation that business will strive to improve the overall welfare of society.
   B. idea that organizations are solely responsible to local citizens.
   C. fact that court costs could impact the financial bottom line.
   D. idea that businesses are responsible for maintaining a healthy social climate for their employees.

135. According to the text, the triple bottom line approach to corporate accounting includes which three components?

   A. financial, environmental, and customer
   B. financial, organizational, and customer
   C. financial, environmental, and social
   D. financial, organizational, and psychological

136. Demands for greater corporate responsibility have accelerated today. They focus on issues such as

   A. labor standards and environmental sustainability.
   B. taxation.
   C. product benefits.
   D. service benefits.

137. A key stakeholder group that is particularly susceptible to corporate social responsibility (CSR) initiatives is

   A. suppliers.
   B. rivals.
   C. government agencies.
   D. consumers.

138. According to the Corporate Citizenship poll conducted by Cone Communications, most Americans say they would be likely to switch brands to one associated with a good cause, if there are similarities between

   A. price and availability.
   B. availability and quality.
   C. price and quality.
   D. price and durability.

139. According to a CEO survey by Accenture, _____ are *not* mutually exclusive corporate goals.

    A. quality and profitability
    B. sustainability and profitability
    C. ROI and quality
    D. availability and ROI

140. The Clorox Green Works line of plant-based cleaning materials captured 42 percent of the natural cleaning products market in its first year. This is an example of the benefit of

    A. sustainability efforts.
    B. cost reduction efforts.
    C. marketing programs.
    D. process management.

141. Northrup Grumman saved $2 million in energy costs at a single facility by installing reflective roofs and fluorescent lighting, replacing old equipment, and making minor temperature and humidity-level adjustments. This is an example of the benefit of

    A. increasing revenue efforts.
    B. marketing programs.
    C. sustainability efforts.
    D. process management.

142. The Fairmont Royal York in Toronto invested $25,000 in an energy conservation program to replace leaky steam traps and fix leaks, which resulted in an annual savings of over $200,000. This is an example of a sustainability effort to

    A. increase innovation.
    B. decrease revenue.
    C. lower costs.
    D. increase customers.

143. The ROI on sustainability efforts can be difficult to quantify because

    A. an excess of necessary data for accurate calculation is readily available.
    B. benefits from such projects are tangible.
    C. the payback period is on a different time frame.
    D. the payback period is on the same time frame.

144. Sustainability programs often find their success beyond company boundaries, thus _____ systems and _____ metrics cannot capture all of the relevant numbers.

    A. external; bio
    B. internal; process
    C. external; external
    D. internal; internal

145. Traditional financial models are built around relatively easy-to-measure, monetized results; whereas, the benefits of sustainability projects involve

    A. clear tangibles.
    B. clear intangibles.
    C. fuzzy tangibles.
    D. fuzzy intangibles.

146. The case for sustainability projects needs to be made on the basis of a more holistic and comprehensive understanding of all the _____ benefits.

    A. measurable and unmeasurable
    B. financial and physical
    C. tangible and intangible
    D. measurable and physical

147. Some benefits of sustainability projects include

    A. reducing risks.
    B. lagging behind regulations.
    C. displeasing communities.
    D. ignoring employee morale.

148. 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. goals are defined at the bottom and implemented at the top.
    C. functional areas work together to attain overall goals.
    D. management and employees have separate goals.

149. 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. rivals.
    D. line and staff managers.

150. 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.

151. 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

152. Peter Senge, of MIT, recognized three types of leaders. These individuals 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

153. 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

154. Local line leaders have _____ responsibility.

    A. local
    B. executive
    C. profit-and-loss
    D. no

155. Internal networks generate their power through the _____ of their ideas.

    A. validity and correctness
    B. conviction and clarity
    C. validation and recognition
    D. approval and awareness

156. Executive leaders champion and guide ideas by

    A. reinforcing ideas that did not work.
    B. creating a learning infrastructure.
    C. validating their formal authority.
    D. increasing their personal power.

157. Richard Branson, founder of the Virgin Group, empowers his companies through a(n) _____ structure in which anyone can bring forth new ideas.

    A. formal
    B. hierarchal
    C. multi-level
    D. informal

158. Transformational change involves

    A. extensive communication.
    B. little training.
    C. no employee development.
    D. few incentives.

159. Whirlpool's transformation under corporate vice president Nancy Snyder included financial investments in

    A. shareholder dividends.
    B. capital spending.
    C. community development.
    D. paying down borrowed debt.

160. Methods by which successful executives show their interest in learning what others are thinking include

    A. holding town hall meetings and consulting employees on what they would do if in charge.
    B. holding town hall meetings and consulting bankers on what they would do if in charge.
    C. holding retreats and consulting rivals on what they would do if in charge.
    D. consulting rivals and consulting investment bankers.

161. Tim Brown, CEO of IDEO, believes that the _____ of a person should *not* dictate the level of influence their ideas should be accorded.

    A. age
    B. seniority
    C. position
    D. education

162. 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

163. 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.

164. 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.

165. 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.

166. Although such visions cannot be accurately measured by a specific indicator of how well they are being achieved, they do provide a fundamental statement of the _____ of an organization.

    A. values, aspirations, and goals
    B. expected returns and limitations
    C. outstanding debt
    D. credibility

167. 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.

168. 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

169. 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.

170. 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.

171. 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.

172. 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.

173. Which of the following is *not* an example of a financial strategic objective?

   A. Increase sales growth 6 percent to 8 percent and accelerate core net earnings growth from 13 percent to15 percent per share in each of the next 5 years. (Procter & Gamble)
   B. Reduce volatile air emissions 15 percent by 2015 from 2010 base year, indexed to net sales. (3M)
   C. Generate Internet-related revenue of $1.5 billion. (AutoNation)
   D. Cut corporate overhead costs by $30 million per year. (Fortune Brands)

174. In large organizations, the potential exists for different parts of an organization to pursue its own goals rather than the overall company goals. Proper _____ can help to resolve conflicts when they arise.

    A. mission statements
    B. vision statements
    C. organization structure
    D. objectives

Chapter 01 Strategic Management: Creating Competitive Advantages Answer Key

True / False Questions

1. Hewlett-Packard's failure and success under the leadership first of Carly Fiorina and then of Mark Hurd was said to be a direct result of the quality of leadership of each of these CEOs. According to the text, this would be an example of the "romantic" perspective of leadership.

    <u>TRUE</u>
    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. The Board of Directors fired CEO Carly Fiorina in 2004 and HP's stock increased immediately by 7 percent. Upon the sudden resignation of her successor, Mark Hurd in 2010, HP's stock price dropped 12 percent almost immediately.

    AACSB: Analytical Thinking
    Accessibility: Keyboard Navigation
    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?

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

    <u>TRUE</u>
    According to the textbook, this is the definition of strategic management.

    AACSB: Analytical Thinking
    Accessibility: Keyboard Navigation
    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?

3. Strategic management is concerned with the analysis of strategic goals as stated in the vision, mission, and strategic objectives of a firm.

    <u>TRUE</u>
    Strategic management is concerned with the analysis of strategic goals (vision, mission, and strategic objectives) along with the analysis of the internal and external environments of the organization.

    AACSB: Analytical Thinking
    Accessibility: Keyboard Navigation
    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?

4. 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 advantage.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 01-01 The definition of strategic management and its four key attributes.
Level of Difficulty: 1 Easy
Topic: The Strategic Management Process

5. Strategic management is *not* concerned with how to create competitive advantage in the marketplace.

FALSE
The essence of strategic management is the study of why some firms outperform others. Managers need to determine how a firm is to compete so that it can obtain advantages that are sustainable over a lengthy period of time. That means focusing on how to compete in order to create competitive advantages in the marketplace and how to create competitive advantages in the marketplace that are unique, valuable, and difficult for rivals to copy or substitute.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
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?

6. 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.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
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?

7. Making trade-off decisions between effectiveness and efficiency is central to the practice of strategic management.

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).

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

8. Only shareholders in a publicly held company are stakeholders because they are the only group that has a stake in the success of the organization.

   FALSE
   Stakeholders are those individuals, groups, and organizations that have a stake in the success of the organization, including owners (shareholders in a publicly held corporation), employees, customers, suppliers, the community at large, and so on.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Learning Objective: 01-01 The definition of strategic management and its four key attributes.
Level of Difficulty: 2 Medium
Topic: The Strategic Management Process

9. Strategic management is only concerned with short-term perspectives.

   FALSE
   Strategic management requires incorporating both short-term and long-term perspectives.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Learning Objective: 01-01 The definition of strategic management and its four key attributes.
Level of Difficulty: 2 Medium
Topic: The Strategic Management Process

10. Focusing on a single stakeholder is a good strategic principle for managers to follow.

    FALSE
    Stakeholders are those individuals, groups, and organizations that have a "stake" in the success of the organization. Managers will not be successful if they focus on a single stakeholder.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Learning Objective: 01-01 The definition of strategic management and its four key attributes.
Level of Difficulty: 2 Medium
Topic: The Strategic Management Process

11. According to Peter Senge, a leading strategic management author, creative tension results from the need to incorporate both short-term and long-term perspectives in strategic management.

    TRUE
    Strategic management requires incorporating both short-term and long-term perspectives. Peter Senge, a leading strategic management author, has referred to this need as a creative tension. That is, managers must maintain both a vision for the future of the organization and a focus on its present operating needs.

12.   Shareholders expect only short-term value and therefore good managers should only focus on meeting short-term performance targets.

FALSE
Managers must maintain both a vision for the future of the organization and a focus on its present operating needs. Strategic management requires incorporating both short-term and long-term perspectives.

13.   Focusing on the short term and efficiency is always a bad management principle.

FALSE
Successful managers must make many trade-offs. It is central to the practice of strategic management. At times, managers must focus on the short term and efficiency.

14.   Ambidexterity refers to a manager's challenge to align resources, without having to take advantage of existing product markets or to proactively explore new opportunities.

FALSE
Ambidexterity is the challenge managers face in both aligning resources to take advantage of existing product markets and proactively exploring new opportunities.

15.   According to a recent study involving 41 business units in 10 multinational companies, one ambidextrous behavior exhibited by managers is that of being brokers who are always looking to build internal networks.

TRUE
As an example of this ambidextrous behavior, a Canadian plant manager connected a regional manager, who was looking for ways to build his business, with an $10 million investment opportunity in St Louis for a new tape manufacturing plant.

16.   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.

17.   The final realized strategy of a firm is a combination of deliberate and emergent strategies.

TRUE
Realized strategy is that strategy of a firm in which organizational decisions are determined by both analysis and unforeseen environmental developments, unanticipated resource constraints, and/or changes in managerial preferences.

18.   In the Mintzberg model, organizational decisions determined only by analysis are intended strategy.

TRUE
Henry Mintzberg, a management scholar at McGill University, argues that viewing the strategic management process as one in which analysis is followed by optimal decisions and their subsequent meticulous implementation neither describes the strategic management process accurately nor prescribes ideal practice. In the Mintzberg model, decisions following from analysis constitute the intended strategy of the firm.

19. Strategy analysis is the study of the external environments of the firm.

   FALSE
   Strategy analysis is study of the external and internal environments of a firm, and their fit with organizational vision and goals.

20. Both the internal and external environments of a firm must be analyzed as well as the goals of the firm before managers can formulate and implement appropriate strategies.

   TRUE
   Many strategies fail because managers may want to formulate and implement strategies without a careful analysis of the overarching goals of the organization and without a thorough analysis of its external and internal environments.

21. Strategy formulation involves decisions made by firms regarding investments, commitments, and other aspects of operations that create and sustain competitive advantage.

   TRUE
   Strategy formulation is developed at several levels and addresses the decisions made by firms regarding investments, commitments, and other aspects of operations that create and sustain competitive advantage.

22. All successful firms compete and outperform their rivals by developing bases for competitive advantage, which can be achieved only through cost leadership.

   FALSE
   Successful firms strive to develop bases for competitive advantage, which can be achieved through cost leadership and/or differentiation as well as by focusing on a narrow or industrywide market segment.

23. 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 the issues of what businesses to compete in and how this portfolio of businesses can be managed to achieve value synergy.

24. 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.

25. International strategy involves decisions concerning appropriate entry strategy and attaining competitive advantage in international markets.

TRUE
When firms enter foreign markets, they face both opportunities and pitfalls. Managers must decide not only on the most appropriate entry strategy but also how they will go about attaining competitive advantages in international markets.

26. Entrepreneurial activity aimed at new value creation is *not* a major engine for economic growth.

FALSE
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.

27. Strategy implementation involves actions that carry out the formulated strategy including proper strategic controls, organizational designs, and leadership.

TRUE
Sound strategies are of no value if they are not properly implemented. Strategy implementation involves ensuring proper strategic controls, organizational designs, and leadership, which includes establishing effective means to coordinate and integrate activities within the firm as well as with its suppliers, customers, and alliance partners.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
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

28. 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.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
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

29. Firms must exercise either informational control or behavioral control in order to assure proper strategy implementation.

FALSE
Firms must exercise two types of strategic control. First, informational control requires that organizations continually monitor and scan the environment and respond to threats and opportunities. Second, behavioral control involves the proper balance of rewards and incentives as well as cultures and boundaries (or constraints).

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
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

30. Leaders are responsible for creating a learning organization so that the entire organization can benefit only from the individual talents.

FALSE
Given rapid and unpredictable change, leaders must create a learning organization so that the entire organization can benefit from individual and collective talents.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

31. 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.

32. 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.

33. Ensuring effective corporate governance requires an effective and engaged board of directors, uninvolved shareholders, and proper managerial rewards and incentives.

   FALSE
   We focus on three important mechanisms to ensure effective corporate governance: an effective and engaged board of directors, shareholder activism, and proper managerial rewards and incentives.

34. Auditors, banks, and analysts are external control mechanisms to ensure effective corporate governance.

TRUE
A key role is played by various external control mechanisms in assuring effective corporate governance. These include the auditors, banks, analysts, an active financial press, and the threat of hostile takeovers.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
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

35. 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.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
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

36. Stakeholders make various claims on a company. Their interests must be taken into account in the strategic management process.

TRUE
A stakeholder can be defined as an individual or group, inside or outside the company that has a stake in and can influence organizational performance. Each stakeholder group makes various claims on the company and must be taken into account in the strategic management process.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
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

37.   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

38.   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

39.   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.

40.   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.

41.   Partnering with governments, communities, suppliers, customers, and rivals is a way to manage conflicting stakeholder interests.

TRUE
Although it often appears the interests of stakeholder groups are in conflict with each other, leading companies are increasingly realizing that learning to partner with governments and communities, suppliers, customers, and even longtime rivals is essential for dealing with big, complex problems.

42.   The Higgs Index enables companies to compare environmental performance outcomes in order to improve their environmental impact and is an example of how rivals work together to resolve complex problems.

TRUE
Rival firms like Nike, Walmart, and Patagonia have started working with a number of stakeholder groups through the Sustainable Apparel Coalition in order to improve the environmental impact of their products. They convened a group of 10 apparel companies in the belief that the adoption of a single, standardized index would drive efficiency and innovation across the apparel value chain and reduce environmental impact and supply chain risks. The so-called Higgs Index enabled companies to compare environmental performance outcomes in areas such as energy efficiency, material waste, water use, and sustainable raw materials.

43. As a stakeholder group, creditors are interested in taxes and compliance with regulations.

FALSE
Creditors are interested in the payment of interest and the repayment of principal.

44. As a stakeholder group, customers are interested in dividends and capital appreciation.

FALSE
Customers are interested in value and warranties.

45. As a stakeholder group, communities are interested in good citizenship behavior.

TRUE
Communities are interested in good citizenship behavior such as charities, employment, and not polluting the environment.

46. 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.

47. What constitutes socially responsible behavior changes over time.

TRUE
What constitutes socially responsible behavior changes over time. In the 1970s affirmative action was a high priority; during the 1990s and up to the present time, the public has been concerned about environmental quality.

48. 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.

49. Demands for greater corporate responsibility are decreasing today.

FALSE
Today, demands for greater corporate responsibility have accelerated. These include corporate critics, social investors, activists, and, increasingly, customers who claim to assess corporate responsibility when making purchasing decisions.

50.   A key stakeholder group that appears to be particularly susceptible to corporate social responsibility (CSR) initiatives is customers.

TRUE
A key stakeholder group that appears to be particularly susceptible to corporate social responsibility (CSR) initiatives is customers. Surveys indicate a strong positive relationship between CSR behaviors and consumer reaction to the products and services of a firm.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
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

51.   There is a positive influence of CSR on the consumer evaluation of companies and their purchasing decisions, according to recent studies.

TRUE
A large body of research confirms the positive influence of CSR on consumer evaluations of companies and product purchase intentions across a broad range of product categories.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
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

52.   Environmental sustainability is a value embraced by the most competitive and successful multinational companies.

TRUE
Environmental sustainability is now a value embraced by the most competitive and successful multinational companies. The McKinsey Corporation's survey of more than 400 senior executives of companies around the world found that 92 percent agreed with former Sony president Akio Morita that the environmental challenge will be one of the central issues in the 21st century.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
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

53. For many successful firms, environmental values are not central to the company culture and management processes.

   FALSE
   For many successful firms, environmental values are now becoming a central part of their cultures and management processes. Environmental impacts are being audited and accounted for as the third bottom line.

54. Sustainability is being increasingly recognized as a source of cost efficiencies and revenue growth.

   TRUE
   A CEO survey on sustainability by Accenture debunks the notion that sustainability and profitability are mutually exclusive corporate goals. The study found that sustainability is being increasingly recognized as a source of cost efficiencies and revenue growth. In many companies, sustainability activities have led to increases in revenue and profits.

55. The ROIs on sustainability projects are often very difficult to quantify because the data necessary to calculate ROI accurately are often not available when it comes to sustainability projects.

   TRUE
   The ROIs on sustainability projects are often very difficult to quantify for a number of reasons. Among these is the fact that the data necessary to calculate ROI accurately are often not available when it comes to sustainability projects. However, sustainability programs may often find their success beyond company boundaries, so internal systems and process metrics cannot capture all the relevant numbers.

56. Many of the benefits from sustainability projects are intangible, making it difficult to calculate the ROI.

   TRUE
   The payback period for sustainability projects is on a different time frame. Even when their future benefits can be forecast, sustainability projects often require longer-term payback windows.

57. The intangible benefits of sustainability projects, such as reducing risks, staying ahead of regulations, pleasing communities, and enhancing employee morale, are substantial even when they are difficult to quantify.

TRUE
Just as companies spend large fortunes on launching advertising campaigns or initiating R and D projects without a clear quantification of financial returns, sustainability investments are necessary even when it is difficult to calculate the ROE of such investments. The alternative of not making these investments is often no longer feasible.

58. Sustainability projects often require shorter-term payback windows than other projects.

FALSE
The payback period is on a different time frame. Even when their future benefits can be forecast, sustainability projects often require longer-term payback windows.

59. Sustainability initiatives rarely have difficulty making it through the conventional approval process within corporations because managers are *not* concerned about their return on investment.

FALSE
Sustainability initiatives often have difficulty making it through the conventional approval process within corporations. This is primarily because, before companies make investments in projects, managers want to know their return on investment.

60. The ROI on a sustainability project generally is easy to quantify.

FALSE
The ROIs on sustainability projects are often very difficult to quantify because of the unavailability of data, the intangibility of the benefits, and the long-term payback period of such projects.

61. Strategic management requires managers at all levels of the organization to take a segregated view of the organization.

FALSE
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.

62. 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.

63. To develop and mobilize people and other assets, leaders are needed throughout the organization.

TRUE
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.

64.   In the strategic management process, only local line leaders and executive leaders are needed.

    FALSE
Everyone must be involved in the strategic management process. There is a critical need for three types of leaders: Local line leaders who have significant profit-and-loss responsibility; Executive leaders who champion and guide ideas, create a learning infrastructure, and establish a domain for taking action; and internal networkers who, although they have little positional power and formal authority, generate their power through the conviction and clarity of their ideas.

65.   Internal networks have great positional power and formal authority.

    FALSE
Internal networkers, although they have little positional power and formal authority, generate their power through the conviction and clarity of their ideas.

66.   Local line leaders have little profit-and-loss responsibility.

    FALSE
Local line leaders have significant profit-and-loss responsibility.

67.   Executive leaders champion and guide ideas.

    TRUE
Executive leaders champion and guide ideas, create a learning infrastructure, and establish a domain for taking action.

68.   Local line leaders are key in setting the tone for the empowerment of employees.

<u>FALSE</u>
Top-level executives are key in setting the tone for the empowerment of employees.

69.   Richard Branson, the founder of the Virgin Group, is well known for creating an inclusive organizational structure in which anybody in the organization can be involved in generating and activating upon new business ideas.

<u>TRUE</u>
Richard Branson, founder of the Virgin Group, whose core businesses include retail operations, hotels, communications, and an airline, is well known for creating a culture and an informal structure where anybody in the organization can be involved in generating and acting upon new business ideas.

70.   To inculcate a strategic management perspective, managers must often make a major effort to effect transformational change.

<u>TRUE</u>
To inculcate a strategic management perspective, managers must often make a major effort to effect transformational change. This involves extensive communication, incentives, training, and development.

71.   To effect transformational change in an organization, managers must communicate extensively and provide incentives, training, and development.

<u>TRUE</u>
To inculcate a strategic management perspective, managers must often make a major effort to effect transformational change. This involves extensive communication, incentives, training, and development.

72. Nancy Snyder, corporate vice president of Whirlpool, shifted the reputation of the firm to that of an innovator by investing financially in capital spending.

TRUE
Under the direction of Nancy Snyder, a corporate vice president, Whirlpool, brought about a significant shift in its reputation as an innovator. This five-year initiative included financial investments in capital spending as well as a series of changes in management processes, including training innovation mentors, making innovation a significant portion of leadership development programs, enrolling all salaried employees in online courses in business innovation, and providing employees an innovation portal to access multiple innovation tools and data.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
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

73. Successful executives do not reward honesty and input and do not show their interest in learning what others are thinking.

FALSE
Many successful executives reward honesty and input and show their interest in learning what others are thinking.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
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

74. According to the CEO of IDEO, Tim Brown, spotting and promoting at any level in the firm is important.

TRUE
As noted by Tim Brown, CEO of the premier design consulting firm IDEO: The best can come from anywhere in an organization. So you had better do a good job of spotting and promoting them when they come, and not let positions of people dictate how influential their ideas are.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
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

75. There are few benefits to having broad investment throughout the organization in the strategic management process.

FALSE
Inexperience can be a virtue as demonstrated in the filming of the movie, *Gorillas in the Mist*. It further reinforces the benefits of having broad involvement throughout the organization in the strategic management process.

76. Showing interest in learning what others are thinking is a leadership weakness.

FALSE
Many successful executives reward honesty and input and show their interest in learning what others are thinking.

77. 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.

78. Strategic objectives are more specific than vision statements.

TRUE
Strategic objectives are used to operationalize the mission statement.

79.	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.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
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

80.	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.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
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

81.	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.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
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.
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82.	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.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Learning Objective: 01-06 How an awareness of a hierarchy of strategic goals can help an organization achieve coherence in its strategic

83. 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.

84. 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.

85. 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.

86. An idealistic vision can arouse employee enthusiasm and therefore is a good vision.

FALSE
An idealistic vision can arouse employee enthusiasm. However, that same enthusiasm can be quickly dashed if employees find that senior management behavior is not consistent with the vision.

87.   One of the reasons a vision fails is that too much focus can lead to missed opportunities.

TRUE
The downside of too much focus is that in directing people and resources toward a grandiose vision, losses can be devastating.

88.   Visions need to be anchored in reality in order to be successful.

TRUE
Although visions are not designed to mirror reality, they must be anchored somehow in it. People have difficulty identifying with a vision that paints a rosy picture of the future but does not account for the often hostile environment in which the firm competes or that ignores some of the firm's weaknesses.

89.   Effective mission statements incorporate the concept of stakeholder management, suggesting that organizations must respond to a single constituency.

FALSE
Effective mission statements incorporate the concept of stakeholder management, suggesting that organizations must respond to multiple constituencies.

90. A good mission statement, by addressing each principal theme, must communicate why an organization is special and different.

   TRUE
   A good mission statement, by addressing each principal theme, must communicate why an organization is special and different. Two studies that linked corporate values and mission statements with financial performance found that the most successful firms mentioned values other than profits. The less successful firms focused almost entirely on profitability.

   AACSB: Analytical Thinking
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   Level of Difficulty: 1 Easy
   Topic: Ensuring Coherence in Strategic Direction

91. When formulating strategic objectives, managers need to remember that too many objectives can result in a lack of focus and diminished results.

   TRUE
   When formulating strategic objectives, managers need to remember that too many objectives can result in a lack of focus and diminished results.

   AACSB: Analytical Thinking
   Accessibility: Keyboard Navigation
   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

92. 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.

   AACSB: Analytical Thinking
   Accessibility: Keyboard Navigation
   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?

93. 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.

94. According to the external control view of leadership, which of the following factors would *not* be considered an external factor that might positively or negatively affect a firm's success?

   A. economic downturns
   B. governmental legislation
   C. outbreak of war
   D. company employee morale

   In the external control view of leadership, external factors are responsible for positively or negatively affecting company success. These external factors often are unanticipated and are not due to the company's leadership.

95. Melvin Alexander, executive director of Principled Solutions Enterprise, a management consulting firm specializing in health care, suggests that environmental changes oblige firms to make strategic changes in order to survive. Which of the following is one of the strategic changes he foresees will occur in the next three to five years?

   A. changes in the behavior of the health care consumers
   B. reduction in the number of available medical doctors
   C. increases in the number of locations of health care facilities
   D. decreases in information technology investment

   There will be new strategies to ensure success of the new law (ACA) as well as to achieve projected returns on the large investments made. The new strategies will center on changing the behavior of the health care consumers (e.g., patients, insured beneficiaries). Areas ranging from preventive care to new providers of health care to improved technology will be focal points of the strategies. To ensure success and compliance, there will likely be both carrot and stick incentives for health consumers to comply.

96. According to the text, the strategic management process entails three ongoing processes. They are

   A. analyses, actions, and synthesis.
   B. analyses, decisions, and actions.
   C. analyses, evaluation, and critique.
   D. analyses, synthesis, and decisions.

   The strategic management of an organization entails three ongoing processes: analyses, decisions, and actions.

97. 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.

   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.

98.   The organizational versus the individual rationality perspective suggests that objectives that are

A. good for a functional area are always good for the overall organization.
B. good for the overall organization are always best for a functional area.
C. best for a functional area may not be best for the overall organization.
D. best for one functional area will never be best for all functional areas.

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.

99.   The four key attributes of strategic management include the idea that strategy must

A. be directed toward overall organizational goals and objectives.
B. be focused only on long-term objectives.
C. be focused on only one specific area of an organization.
D. focus only 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.

100.   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.

101. 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.

102. In choosing to focus on stakeholders, which of the following will *not* lead to success for a manager?

    A. shareholders and employees
    B. employees and suppliers
    C. customers and the community at large
    D. customers only
Stakeholders are those individuals, groups, and organizations that have a stake in the success of the organization, including owners (shareholders in a publicly held corporation), employees, customers, suppliers, the community at large, and so on. Managers will not be successful if they focus on a single stakeholder.

103. In strategic management, both the short-term and long-term perspectives need to be considered because

    A. shareholder value is only measured by short-term returns.
    B. shareholders only care about long-term returns.
    C. long-term vision precludes the analysis of present operating needs.
    D. the creative tension between the two forces managers to develop more successful strategy.
Strategic management requires incorporating both short-term and long-term perspectives. Peter Senge, a leading strategic management author, has referred to this need as a creative tension. That is, managers must maintain both a vision for the future of the organization and a focus on its present operating needs.

104.   Strategic management involves the recognition of trade-offs between effectiveness and

    A. cost.
    B. value.
    C. return on investment.
    D. efficiency.

Strategic management 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).

105.   All of the following are ambidextrous behaviors *except*

    A. taking initiative and being alert to opportunities beyond the job description.
    B. being cooperative and seeking opportunities to combine personal efforts with that of 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.

106.   Ambidextrous behaviors in individuals illustrate how a dual capacity for _____ can be woven into the fabric of an organization at the individual level.

A. alignment and adaptability
B. alignment and transparency
C. alignment and internal linkages
D. alignment and efficiency

A recent study involving 41 business units in 10 multinational companies identified four ambidextrous behaviors in individuals. Such behaviors are the essence of ambidexterity, and they illustrate how a dual capacity for alignment and adaptability can be woven into the fabric of an organization at the individual level.

107.   According to Henry Mintzberg, the final realized strategy of a firm is

A. a combination of deliberate and emergent strategies.
B. a combination of deliberate and differentiation strategies.
C. not deliberate.
D. a result of unrealized intended strategy.

The final realized strategy of any firm is a combination of deliberate and emergent strategies.

108.   _____ 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.

109. Strategy analysis is the starting point of the strategic management process and consists of the

   A. analysis only of the vision, mission, and objectives of the firm.
   B. analysis of the relevant internal and external environmental factors only.
   C. analysis of relevant competitors only.
   D. matching of vision, mission, and objectives with the relevant internal and external environmental factors.

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. Many strategies fail because managers may want to formulate and implement strategies without a careful analysis of the overarching goals of the organization and without a thorough analysis of its external and internal environments.

110. Strategy formulation at the business level addresses best how to compete in a given business:

   A. to attain competitive advantage
   B. to reduce costs
   C. to decrease buyer power
   D. to thwart entry of new rivals

Business-level strategy addresses the issue of how to compete in a given business to attain competitive advantage.

111. Corporate level strategy focuses on what businesses to compete in and

   A. how business can be managed to achieve synergy.
   B. how business can be managed to reduce synergy.
   C. how the firm can work as a stand-alone entity.
   D. how the firm can create more value by operating alone.

Corporate-level strategy focuses on two issues: (a) what businesses to compete in and (b) how businesses can be managed to achieve synergy; that is, they create more value by working together than by operating as stand-alone businesses.

112. Corporate-level strategy looks at how to manage the _____ of its businesses to create synergies.

A. portfolio
B. stock prices
C. competitors
D. market pricing

Corporate-level strategy addresses a portfolio (or group) of businesses of the firm. It addresses: (1) What business (or businesses) should we compete in and (2) How can we manage this portfolio of businesses to create synergies among the businesses.

113. Entering foreign markets requires firms to ascertain foremost how they will attain

A. market share.
B. low costs.
C. competitive advantage.
D. low returns on investment.

When firms enter foreign markets, they face both opportunities and pitfalls. Managers must decide not only on the most appropriate entry strategy but also how they will go about attaining competitive advantages in international markets.

114. New value creation is a major engine for economic growth and is the main focus of _____ strategy.

A. portfolio
B. corporate-level
C. business-level
D. entrepreneurial

Entrepreneurial activity aimed at new value creation is a major engine for economic growth. In order for entrepreneurial initiatives to succeed, viable opportunities must be recognized and effective strategies must be formulated.

115.   Two types of strategic control that firms must exercise for good strategy implementation are

    A. informational and confrontational.
    B. confrontational and behavioral.
    C. behavioral and financial.
    D. informational and behavioral.
Firms must exercise two types of strategic control. First, informational control requires that organizations continually monitor and scan the environment and respond to threats and opportunities. Second, behavioral control involves the proper balance of rewards and incentives as well as cultures and boundaries (or constraints).

116.   Effective organizational design means that firms must have _____ that are consistent with their strategy.

    A. designs and plans
    B. organizational structures and designs
    C. adopters and designs
    D. adopters and plans
Firms must have organizational structures and designs that are consistent with their strategy. In the rapidly changing competitive environments today, firms must ensure that their organizational boundaries (those internal to the firm and external) are more flexible and permeable.

117.   Learning organizations permit the entire organization to benefit from _____ talents.

    A. internal and external
    B. individual and collective
    C. internal and collective
    D. external and individual
Given rapid and unpredictable change, leaders must create a learning organization so that the entire organization can benefit from individual and collective talents.

118. Effective leaders set a direction and develop an organization so that it is committed to excellence and _____ behavior.

    A. performant
    B. strategic
    C. ethical
    D. positive

Effective leaders set a direction, design the organization, and develop an organization that is committed to excellence and ethical behavior.

119. Strategies should be formulated that enhance foremost the _____ capacity of a firm.

    A. innovative
    B. learning
    C. implementation
    D. business-level

Firms must continually improve and grow as well as find new ways to renew their organizations. Corporate entrepreneurship and innovation provide firms with new opportunities, and strategies should be formulated that enhance the innovative capacity of the firm.

120. The three participants in corporate governance are the shareholders,

    A. board of directors, and employees.
    B. labor unions, and employees.
    C. board of directors, and management.
    D. 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.

121. 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) consists of 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).

122. 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) consists of 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).

123. 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.

124.   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 that is inside or outside the company and has a stake in and can influence organizational performance. Each stakeholder group makes various claims on the company.

125.   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.

126. 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.

127. Managers should do more than 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.

128. Employee stakeholders are concerned with

  A. taxes, warranties, and regulations.
  B. wages, benefits, and job security.
  C. good citizenship behavior.
  D. dividends.

Employees as a stakeholder group are concerned with wages, benefits, safe working environment, and job security.

129.   Stockholders as a stakeholder group are interested primarily by

A.   payment of interest and repayment of principal.
B.   value and warranties.
C.   dividends and capital appreciation.
D.   taxes and compliance with regulations.
Stockholders are interested in dividends and capital appreciation.

130.   The Sustainable Apparel Coalition accounts for more than one-third of the global

A.   apparel and washing product industry.
B.   consumer product industry.
C.   refinery industry.
D.   apparel and footwear industry.
The SAC now has approximately 145 members, representing brands, retailers, suppliers, and other organizations that together account for more than one-third of the global apparel and footwear industry.

131.   Wall Street executives have received excessive bonus pay in the past. This concerns which of the following stakeholder groups most directly?

A.   government
B.   suppliers
C.   creditors
D.   stockholders
For example, JPMorgan CEO Jamie Dimon was the highest-paid banker with $23.1 million in compensation, an 11 percent increase from the previous year. The shareholders of the firm did not do as well, because the stock fell 20 percent.

132. Supplier stakeholders are concerned with

   A. assurance of a continued relationship with the firm.
   B. employee benefits.
   C. safe working conditions.
   D. capital appreciation.
   Supplier stakeholders are concerned with on-time payment and assurance of a continued relationship with the firm.

133. Community stakeholders are concerned primarily with

   A. product warranties.
   B. corporate citizenship behavior.
   C. capital appreciation.
   D. repayment of principal.
   Community stakeholders are concerned with good citizenship behavior such as charities, employment, and not polluting the environment.

134. Firms must be aware of goals other than short-term profit maximization. One area of concern should be social responsibility, which is the

   A. expectation that business will strive to improve the overall welfare of society.
   B. idea that organizations are solely responsible to local citizens.
   C. fact that court costs could impact the financial bottom line.
   D. idea that businesses are responsible for maintaining 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.

135. According to the text, the triple bottom line approach to corporate accounting includes which 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.

136. Demands for greater corporate responsibility have accelerated today. They focus on issues such as

    A. labor standards and environmental sustainability.
    B. taxation.
    C. product benefits.
    D. service benefits.

Today, demands for greater corporate responsibility have accelerated. These include corporate critics, social investors, activists, and, increasingly, customers who claim to assess corporate responsibility when making purchasing decisions. Such demands go well beyond product and service quality. They include a focus on issues such as labor standards, environmental sustainability, financial and accounting reporting, procurement, and environmental practices.

137. A key stakeholder group that is particularly susceptible to corporate social responsibility (CSR) initiatives is

    A. suppliers.
    B. rivals.
    C. government agencies.
    D. consumers.

A key stakeholder group that appears to be particularly susceptible to corporate social responsibility (CSR) initiatives is customers. Surveys indicate a strong positive relationship between CSR behaviors and consumer reaction to products and services of a firm.

138. According to the Corporate Citizenship poll conducted by Cone Communications, most Americans say they would be likely to switch brands to one associated with a good cause, if there are similarities between

    A. price and availability.
    B. availability and quality.
    C. price and quality.
    D. price and durability.

    A Corporate Citizenship poll conducted by Cone Communications found that 84 percent of Americans say they would be likely to switch brands to one associated with a good cause, if price and quality are similar.

139. According to a CEO survey by Accenture, _____ are *not* mutually exclusive corporate goals.

    A. quality and profitability
    B. sustainability and profitability
    C. ROI and quality
    D. availability and ROI

    A CEO survey on sustainability by Accenture debunks the notion that sustainability and profitability are mutually exclusive corporate goals. The study found that sustainability is being increasingly recognized as a source of cost efficiencies and revenue growth.

140. The Clorox Green Works line of plant-based cleaning materials captured 42 percent of the natural cleaning products market in its first year. This is an example of the benefit of

   A. sustainability efforts.
   B. cost reduction efforts.
   C. marketing programs.
   D. process management.

   In days past, many sustainability efforts would have been the result of government prodding or public pressure, or would have been undertaken for PR purposes. Some well-known firms have benefited financially from such initiatives.

   AACSB: Analytical Thinking
   Accessibility: Keyboard Navigation
   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

141. Northrup Grumman saved $2 million in energy costs at a single facility by installing reflective roofs and fluorescent lighting, replacing old equipment, and making minor temperature and humidity-level adjustments. This is an example of the benefit of

   A. increasing revenue efforts.
   B. marketing programs.
   C. sustainability efforts.
   D. process management.

   In days past, many sustainability efforts would have been the result of government prodding or public pressure, or would have been undertaken for PR purposes. Some well-known firms have benefited financially from such initiatives.

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   Level of Difficulty: 2 Medium
   Topic: The Role of Corporate Governance and Stakeholder Management

142. The Fairmont Royal York in Toronto invested $25,000 in an energy conservation program to replace leaky steam traps and fix leaks, which resulted in an annual savings of over $200,000. This is an example of a sustainability effort to

    A. increase innovation.
    B. decrease revenue.
    C. lower costs.
    D. increase customers.

In days past, many sustainability efforts would have been the result of government prodding or public pressure, or would have been undertaken for PR purposes. Some well-known firms have benefited financially from such initiatives. Executives know better. They realize that green, our convenient euphemism for sustainability, is the color of money. This is an example of a sustainability effort to lower costs.

143. The ROI on sustainability efforts can be difficult to quantify because

    A. an excess of necessary data for accurate calculation is readily available.
    B. benefits from such projects are tangible.
    C. the payback period is on a different time frame.
    D. the payback period is on the same time frame.

The ROIs on sustainability projects are often very difficult to quantify for a number of reasons. Among these are: (1) The data necessary to calculate ROI accurately are often not available when it comes to sustainability projects; (2) Many of the benefits from such projects are intangible; and (3) The payback period is on a different time frame.

144. Sustainability programs often find their success beyond company boundaries, thus _____ systems and _____ metrics cannot capture all of the relevant numbers.

   A. external; bio
   B. internal; process
   C. external; external
   D. internal; internal

The data necessary to calculate ROI accurately are often not available when it comes to sustainability projects. However, sustainability programs may often find their success beyond company boundaries, so internal systems and process metrics cannot capture all the relevant numbers.

145. Traditional financial models are built around relatively easy-to-measure, monetized results; whereas, the benefits of sustainability projects involve

   A. clear tangibles.
   B. clear intangibles.
   C. fuzzy tangibles.
   D. fuzzy intangibles.

Traditional financial models are built around relatively easy-to-measure, monetized results. Yet many of the benefits of sustainability projects involve fuzzy intangibles, such as the goodwill that can enhance firm brand equity.

146. The case for sustainability projects needs to be made on the basis of a more holistic and comprehensive understanding of all the _____ benefits.

   A. measurable and unmeasurable
   B. financial and physical
   C. tangible and intangible
   D. measurable and physical

Clearly, the case for sustainability projects needs to be made on the basis of a more holistic and comprehensive understanding of all the tangible and intangible benefits rather than whether or not they meet existing hurdle rates for traditional investment projects. For example, 3M uses a lower hurdle rate for pollution prevention projects.

147. Some benefits of sustainability projects include

   A. reducing risks.
   B. lagging behind regulations.
   C. displeasing communities.
   D. ignoring employee morale.

The intangible benefits of sustainability projects such as reducing risks, staying ahead of regulations, pleasing communities, and enhancing employee morale are substantial, even when they are difficult to quantify.

148. 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. goals are defined at the bottom and implemented at the top.
   C. functional areas work together to attain overall goals.
   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.

149. 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. rivals.
   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.

150. 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.

151. 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.

152. Peter Senge, of MIT, recognized three types of leaders. These individuals 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.

153. 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.

154. Local line leaders have _____ responsibility.

    A. local
    B. executive
    C. profit-and-loss
    D. no

Local line leaders have significant profit-and-loss responsibility.

155. Internal networks generate their power through the _____ of their ideas.

  A. validity and correctness
  B. conviction and clarity
  C. validation and recognition
  D. approval and awareness
Internal networkers have little positional power and formal authority, but generate their power through the conviction and clarity of their ideas.

156. Executive leaders champion and guide ideas by

  A. reinforcing ideas that did not work.
  B. creating a learning infrastructure.
  C. validating their formal authority.
  D. increasing their personal power.
Executive leaders champion and guide ideas, create a learning infrastructure, and establish a domain for taking action.

157. Richard Branson, founder of the Virgin Group, empowers his companies through a(n) _____ structure in which anyone can bring forth new ideas.

  A. formal
  B. hierarchal
  C. multi-level
  D. informal
Richard Branson, founder of the Virgin Group, whose core businesses include retail operations, hotels, communications, and an airline, is well known for creating an informal structure and culture where anyone in the organization can be involved in generating and acting upon new business ideas.

158. Transformational change involves

    A. extensive communication.
    B. little training.
    C. no employee development.
    D. few incentives.

    Transformational change involves extensive communication, incentives, training, and development.

159. Whirlpool's transformation under corporate vice president Nancy Snyder included financial investments in

    A. shareholder dividends.
    B. capital spending.
    C. community development.
    D. paying down borrowed debt.

    Under the direction of Nancy Snyder, a corporate vice president, Whirlpool, the world's largest producer of household appliances, brought about a significant shift in the firm's reputation as an innovator. This five-year initiative included financial investments in capital spending.

160. Methods by which successful executives show their interest in learning what others are thinking include

    A. holding town hall meetings and consulting employees on what they would do if in charge.
    B. holding town hall meetings and consulting bankers on what they would do if in charge.
    C. holding retreats and consulting rivals on what they would do if in charge.
    D. consulting rivals and consulting investment bankers.

    Many successful executives reward honesty and input and show their interest in learning what others are thinking. Methods vary and include holding town-hall meetings, seeking the advice of people at all levels of the firm, and asking employees what they would do if they were in charge.

161. Tim Brown, CEO of IDEO, believes that the _____ of a person should *not* dictate the level of influence their ideas should be accorded.

    A. age
    B. seniority
    C. position
    D. education

As noted by Tim Brown, CEO of the premier design consulting firm IDEO: The best can come from anywhere in an organization. So you had better do a good job of spotting and promoting them when they come, and not let their positions dictate how influential their ideas are.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
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

162. 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.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
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

163. 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.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
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.

164.   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.

165.   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.

166. Although such visions cannot be accurately measured by a specific indicator of how well they are being achieved, they do provide a fundamental statement of the _____ of an organization.

    A. values, aspirations, and goals
    B. expected returns and limitations
    C. outstanding debt
    D. credibility

Although such visions cannot be accurately measured by a specific indicator of how well they are being achieved, they do provide a fundamental statement of organization values, aspirations, and goals. Such visions go well beyond narrow financial objectives, of course, and strive to capture both the minds and hearts of employees.

167. 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.

168. 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.

169. 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.

170. 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.

171. 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.

172. 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.

173. Which of the following is *not* an example of a financial strategic objective?

    A. Increase sales growth 6 percent to 8 percent and accelerate core net earnings growth from 13 percent to 15 percent per share in each of the next 5 years. (Procter & Gamble)
    B. Reduce volatile air emissions 15 percent by 2015 from 2010 base year, indexed to net sales. (3M)
    C. Generate Internet-related revenue of $1.5 billion. (AutoNation)
    D. Cut corporate overhead costs by $30 million per year. (Fortune Brands)

    Reduce volatile air emissions 15 percent by 2015 from 2010 base year, indexed to net sales (3M) is a nonfinancial strategic objective.

174. In large organizations, the potential exists for different parts of an organization to pursue its own goals rather than the overall company goals. Proper _____ can help to resolve conflicts when they arise.

A. mission statements
B. vision statements
C. organization structure
D. objectives

As we noted earlier in the chapter, 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.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
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