

## Chapter 02

### The External and Internal Environments

#### True / False Questions

1. Organizations are open systems that affect and are affected by their external environments.

True False

2. The external environment includes all relevant forces outside the organization's boundaries.

True False

3. Strategy is an example of an input to an organization.

True False

4. A firm's competitive environment includes new entrants, as well as substitutes and complements.

True False

5. An organization's macroenvironment includes its customers and suppliers.

True False

6. When investors bid up stock prices, companies have less capital to fuel their strategies.

True False

7. While the stock market can impact a firm, it has no effect on the behavior of individual managers.

True False

8. Firms that develop strategies that do not include technological advances will realize obsolescence and extinction.

True False

9. U.S. government policies both impose strategic constraints and provide opportunities for organizations.

True False

10. Regulatory agencies set rules but are typically weak institutions since they do not have the power to investigate company practices or to take legal action to ensure compliance with the law.

True False

11. Social metrics are measures of various characteristics of the people who make up groups or other social units.

True False

12. The fastest-growing age group in the U.S. civilian labor force is the group between 30 and 40 years old.

True False

13. Despite government crackdowns, immigration is one reason why the labor force will be more ethnically diverse in the future than it is today.

True False

14. The percentage of women participating in the U.S. workforce has increased sharply since 1999.

True False

15. A more diverse workforce presents managers with challenges as well as opportunities.

True False

16. Family leave, flexible working hours, and child care assistance have been introduced as a direct result of the growing ethnic diversity in the workplace.

True False

17. Porter's model for competitive analysis is one example of analyzing the competitive environment for adapting to and even influencing the nature of competition.

True False

18. Red Bull, an energy drink, is a competitor to Pepsi.

True False

19. The first question in understanding competitive environments from Porter's model is "How strong is the competition?"

True False

20. A barrier to entry is a condition that prevents customers from using a firm's products or services.

True False

21. According to Porter's model, Netflix streaming video would be considered a substitute for Blockbuster DVD rental.

True False

22. Landscaping products are complements when people are buying new homes.

True False

23. Powerful suppliers can increase a buying organization's profits, especially when the organization must hold prices steady for its customers.

True False

24. Needing to learn a new software program as a result of changing suppliers is an example of a switching cost.

True False

25. Input chain management is the managing of the network of facilities and people that obtain materials from outside the organization, transform them into products, and distribute them to customers.

True False

26. The goal of supply chain management is having the right product in the right quantity at the right place at the right cost.

True False

27. The Internet has empowered customers by providing an easy source of information.

True False

28. Environmental scanning means sorting through information available to the public to interpret what is important and what is not.

True False

29. Competitive intelligence is also known as corporate espionage.

True False

30. Benchmarking means comparing your processes to the best-in-class performance by a company in a given area.

True False

31. Organizations that are defenders are more likely to engage in strategic maneuvering than are prospectors.

True False

32. April, a manager in a call center, encourages her employees to solve customers' problems without her approval of the particular situation. Here April has empowered her employees.

True False

33. Southwest Airlines demonstrates the independent action strategy known as competitive pacification by cutting fares when it enters a new market.

True False

34. In a dynamic environment, bureaucratic organizations are more efficient than organic organizations.

True False

35. A strong organization culture is one in which everyone understands and believes in the firm's goals, priorities, and practices.

True False

36. Stories told by employees almost never have any connection to the true culture of the organization.

True False

### Multiple Choice Questions

37. Organizations that are affected by and that affect their environment are called

- A. Input systems.
- B. Output systems.
- C. Open systems.
- D. Closed systems.
- E. Social systems.



38. Liz, a new manager at Stamford Soft, has been asked to focus on the competitive environment of the organization. Which of these factors is among those on which Liz should focus?

- A. Government legislation.
- B. Culture.
- C. Demographics.
- D. Buyers.
- E. Technology.

39. The economy is a crucial component of the macroenvironment. Which of the following statements is most true about economic macro effects?

- A. The impact of changes in the economy is predictable to competitors.
- B. There are complex interconnections among the economies of different countries.
- C. Changes in the economy are impossible to quantify.
- D. High-level managers have little awareness of economic indicators.
- E. The economy has no macro effects on managers.

40. Interest rates, inflation, the federal deficit, and unemployment levels are all elements in which aspect of the macroenvironment?

- A. The social environment.
- B. The demographic environment.
- C. The international environment.
- D. The regulatory environment.
- E. The economic environment.

41. New methods of communication, production, and even the development of entire new industries are the results of the changes in

- A. Demographics.
- B. Societal preferences.
- C. Politics.
- D. Technology.
- E. The economy.

42. Advances in genetic engineering and biotechnology are expected to produce some food products that will be available year-round even in northern climates. This provides grocers an opportunity to reduce shipping costs while at the same time offering fresher produce to customers. These advances are an example of changes in the

- A. Technological environment.
- B. Economic environment.
- C. Political environment.
- D. Demographic environment.
- E. Ecological environment.

43. Managers with ready access to information

- A. Increase costs.
- B. Are able to manage and communicate more effectively.
- C. Are in danger of losing power to rivals or suppliers.
- D. Decrease their span of control.
- E. Always increase sales.

44. Using international bribery as a business tactic may result in fines for U.S. firms.

This statement reflects which type of environmental force at work?

- A. Competitive.
- B. Economic.
- C. Legal/political.
- D. Societal values.
- E. Demographics.

45. Armando was recently hired as the workplace safety compliance officer at Preston Mining Company. Armando will have the responsibility to monitor regulations from which of these government agencies?

- A. FCC.
- B. EPA.
- C. SEC.
- D. OSHA.
- E. NLRB.

46. The SEC recently proposed regulations requiring companies to disclose more details about executive compensation. This illustrates an important interaction between organizations and their relevant

- A. Demographics.
- B. Regulators.
- C. Attorneys.
- D. Labor officials.
- E. Suppliers.

47. Measures of various characteristics of the people who make up groups or other social units are called

- A. Psychographics.
- B. Demographics.
- C. Social characteristics.
- D. Lifestyle analytics.
- E. Unit characterization.

48. Which of the following statements about workforce demographics is true?

- A. Training of entry-level workers is not needed in today's modern workplace.
- B. Workforce demographics have little to do with human resource strategies.
- C. Older, experienced workers are likely to be relatively scarce over the next five years.
- D. Population growth influences the size and composition of the labor force.
- E. Technical tasks can be sent overseas to be accomplished, but companies usually then have to pay more for labor.

49. \_\_\_\_\_ trends regarding how people think and behave have major implications for management of the labor force, corporate social actions, and strategic decisions about products and markets.

- A. Psychological
- B. Political
- C. Economic
- D. Technological
- E. Societal

50. A company that is concerned with the quantity and quality of resources available for its business processes will investigate which factor in the macroenvironment?

- A. The natural environment.
- B. The social environment.
- C. The demographic environment.
- D. The regulatory environment.
- E. The economic environment.

51. Which of the following is an element of Porter's model for analyzing the competitive environment?

- A. Substitutes and complements.
- B. Cost strategy.
- C. Potential customers.
- D. Regulatory forces.
- E. SBU strategy.

52. The competitive environment consists of

- A. The firm and its rivals, suppliers, customers (buyers), new entrants, and substitute or complementary products.
- B. Only those organizations on which the focal organization to provide supplies and materials.
- C. The workers of the organizations that complete the organization's activities.
- D. The organizations that hold the firm accountable to their stakeholders.
- E. The broader influences that affect a firm's competitive advantage.

53. A firm's current competition, suppliers, customers, and the threat of new entrants or of substitutes are all elements in the

- A. Task environment.
- B. Peters model for organizational excellence.
- C. Microenvironment.
- D. Porter model for competitive analysis.
- E. Industrial microenvironment.



54. A low-cost airline described as one of the excellent companies in the bestseller of the early 1980s, *In Search of Excellence*, is no longer in business. Industry analysts state that although the service and prices provided by the airline were what customers wanted, the larger airlines were able to drive the low-cost airline out of business through an aggressive price war. This scenario is illustrative of which aspect of the competitive environment?

- A. Customers.
- B. Rivals.
- C. Regulators.
- D. The economy.
- E. Social trends.

55. Walmart recently engaged Amazon.com in a price war, offering best-selling books for first \$10, then \$9; and now Target has jumped into the war with best sellers for \$8.98. This scenario is an example of which aspect of the competitive environment?

- A. Customers.
- B. Competitors.
- C. Regulators.
- D. The economy.
- E. Substitutes.

56. Which of the following is a competitor that a mass merchandiser like Target must identify and anticipate the actions of?

- A. Consumer advocacy groups.
- B. Mass merchandiser suppliers.
- C. Wholesale outlets like Sam's or Costco.
- D. Companies entering new markets.
- E. All of these are potential competitors.

57. Conditions that may prevent new firms from entering an industry (e.g., the use of patents) are referred to as

- A. Barriers to entry.
- B. Roadblocks.
- C. Unfair trade practices.
- D. Insider trading.
- E. Trade protectionism.

58. Hospitals and universities are very expensive to run not only due to the capital equipment that is required for each, but also due to the personnel such as specialized medical doctors and researchers. The cost of these types of institutions is an example of

- A. Enhancing barriers to entry.
- B. Eliminating protectionism.
- C. Unfair competition.
- D. Enhancing trade protectionism.
- E. Eliminating barriers to entry.

59. Of the following, which produces the highest barrier to entry?

- A. Brand identification.
- B. Customer ratings.
- C. Pricing practices.
- D. The economy.
- E. Technology.

60. The development of new products that may replace sales of existing products is referred to as the threat of

- A. New entrants.
- B. Substitutes.
- C. Enhanced supply.
- D. Technology.
- E. Complements.

61. When microwave ovens were first introduced, they posed a potential threat to conventional oven producers. But the effect of microwaves on the sales of conventional ovens has been minimal; in fact, most homes today utilize both appliances. Oven technology has not advanced much lately and industry profits are flat. Based on this information,

- A. The threat of new entrants for either type of oven is high.
- B. The threat of competitive rivalry for either type of oven is high.
- C. The threat of new entrants for either type of oven is low.
- D. The threat of substitutes for either type of oven is high.
- E. The regulatory influence on these ovens is high and changing.

62. Which of the following is an example of a potential substitute product?

- A. Hand sanitizer for soap.
- B. Ink cartridges for printers.
- C. Mops for detergent.
- D. iTunes for iPods.
- E. Furniture for apartments.

63. Organizations must acquire a variety of resources in order to produce a product or service of value. These resources may include materials, equipment, financing, or even employees. The sources that provide these various resources are referred to as

- A. Resource firms.
- B. Placement centers.
- C. Retailers.
- D. Suppliers.
- E. Customs houses.

64. Fixed costs buyers face if they change suppliers are called

- A. Changing costs.
- B. Switching costs.
- C. Supplier costs.
- D. Exchange costs.
- E. Sunk costs.

65. Laredo Bank & Trust uses the janitorial services of ProKleen, which provides necessary cleaning supplies, crew training, background security checks (since the crews work after hours), and all other associated expenses. The other available janitorial services do not provide security checks, so the bank would have to hire guards to watch the janitors. This expense effectively limits the bank to ProKleen's services. This illustrates the concept of

- A. High employment costs.
- B. Unfavorable supplier status.
- C. Favorable quality status.
- D. Complementary products.
- E. High switching costs.

66. Management of the network of facilities and people that obtains materials from the outside, transforms them into products, and distributes the products to customers is called

- A. Collaboration.
- B. Switching costs.
- C. Cooptation.
- D. Customer service.
- E. Supply chain management.

67. Farley Roofing provides subcontracting services to residential construction firms. There are many firms in the marketplace like Farley, which does about 85 percent of its work for Beltway Builders. Beltway typically negotiates heavily with its subcontractors, which ultimately reduces Farley's profits. This situation is indicative of the high bargaining power of

- A. Customers.
- B. Suppliers.
- C. Substitute companies.
- D. Competitors.
- E. New construction companies.

68. A customer who purchases raw materials or wholesale products before selling them to other parties is called a(n)

- A. Final supplier.
- B. Intermediate consumer.
- C. Middle customer.
- D. First-tier supplier.
- E. Preliminary customer.

69. The main difference between a final consumer and an intermediate consumer is that

- A. The final consumer usually pays cash for the purchase, whereas the intermediate customer uses a credit arrangement.
- B. An intermediate consumer will utilize the purchase in order to sell its product/service to final consumers, whereas a final consumer uses the product herself.
- C. Final consumers purchase more (in dollar value) than do intermediate consumers.
- D. Intermediate consumers are usually more flexible in their product requirements and scheduling than final consumers.
- E. Final consumers have more bargaining power than intermediate consumers.



70. Which of the following would be considered a consumer?

- A. OSHA.
- B. Neiman Marcus.
- C. An individual.
- D. IBM.
- E. All of these would be considered consumers.

71. Giving customers what they want or need, the way they want it, the first time is known as

- A. Planned giving.
- B. Planned obsolescence.
- C. Customer service.
- D. Cause marketing.
- E. Operations management.

72. Environmental uncertainty results from

- A. Complexity.
- B. Simplicity.
- C. Cooperation.
- D. Product and industry stability.
- E. An incrementally changing environment.

73. \_\_\_\_\_ refers to the degree of discontinuous change that occurs within the industry.

- A. Environmental complexity
- B. Environmental dysfunction
- C. Environmental contracting
- D. Environmental cooptation
- E. Environmental dynamism

74. Ranier Outdoor Clothing managers engage in an annual organizational assessment, trying to predict industry changes as well as possible opportunities and threats. They look at issues such as who their competitors are, current entry barriers, and what substitutes exist for their products. This assessment is called

- A. Scenario development.
- B. Forecasting.
- C. Benchmarking.
- D. Environmental scanning.
- E. SWOT analysis.

75. An outcome of environmental scanning is \_\_\_\_\_, the information necessary to decide how best to manage in the competitive environment managers have identified.

- A. an organizational plan
- B. entry barrier concepts
- C. competitive intelligence
- D. corporate espionage plans
- E. competitive counterplans

76. A narrative that describes a particular set of future conditions for a business is called

- A. Benchmarking.
- B. A scenario.
- C. Forecasting.
- D. Managerial outcome analysis.
- E. Competitive intelligence.

77. \_\_\_\_\_ create(s) alternative combinations of different factors into a total picture of the environment and the firm.

- A. Scenarios
- B. Forecasting
- C. Benchmarking
- D. Competitive intelligence
- E. Buffering

78. Which of the following scenarios would be the most favorable to an existing firm in the industry according to the Porter model of the competitive environment?

- A. Many competitors, few entry barriers, and few customers.
- B. Many competitors, high threat of entry, many customers.
- C. Few entry barriers, many substitutes, many customers.
- D. High industry growth, many barriers to entry, customers have low bargaining power.
- E. Low industry growth, few barriers to entry, suppliers have low bargaining power.

79. The method for predicting how variables will change in the future is called

- A. Budgeting.
- B. Scenario development.
- C. Forecasting.
- D. Benchmarking.
- E. Environmental scanning.

80. In determining how interest rates will change in the future, a manager would use

- A. Budgeting.
- B. Scenario development.
- C. Forecasting.
- D. Benchmarking.
- E. Environmental scanning.

81. Which of the following is TRUE about using forecasts?

- A. Multiple forecasts are best, and their predictions can be averaged.
- B. Forecasts become more accurate the further into the future you predict.
- C. Forecasts improve the data used to construct them.
- D. The more complex the forecast, the more carefully the math is designed, and the more accurate the forecast becomes.
- E. Unexpected events require a company to stick to the forecast.

82. \_\_\_\_\_ means identifying the best-in-class performance by a company in your area and then comparing your processes to theirs.

- A. Scenario planning
- B. Forecasting
- C. Benchmarking
- D. Environmental scanning
- E. Adapting

83. To improve customer service in its overseas call center, Jansen Electronics decided to investigate the call center practices of competing companies. The team discovered that a smaller company, Gorilla Devices Inc., seemed to have outstanding customer service. The team then determined differences between the organizations and developed a plan to incorporate the best elements of Gorilla into Jansen. This illustrates effective

- A. Environmental dynamism.
- B. Benchmarking.
- C. Strategic maneuvering.
- D. Cooperative action.
- E. Forecasting.

84. Domain selection, diversification, mergers/acquisitions, and divestiture are all examples of

- A. Illegal boundary management.
- B. Maneuvering the competition.
- C. Strategic maneuvering.
- D. Independent strategies.
- E. Portfolio maneuvering.

85. \_\_\_\_\_ occurs when a firm invests in different types of businesses or products or when it expands geographically to reduce its dependence on a single market or technology.

- A. Domain selection
- B. Diversification
- C. An acquisition
- D. Divestiture
- E. A merger

86. The entrance by a company into another market or industry for which it has an existing expertise is called

- A. A cooperative strategy.
- B. Strategic maneuvering.
- C. A strategic alliance.
- D. Domain selection.
- E. Cooptation.

87. One firm buying another is called a(n)

- A. Merger.
- B. Acquisition.
- C. Divestiture.
- D. Prospective.
- E. Defender.



88. Valley Organic Meats recently announced that it was selling off its pork division in order to realign itself more competitively in the marketing of its other products. This is an example of managing the task environment through

- A. Diversification.
- B. Acquisition.
- C. Merger.
- D. Divestiture.
- E. Domain selection.

89. Prospectors are

- A. Companies that continually change the boundaries for their task environments by seeking new products and markets, diversifying and merging, or acquiring new enterprises.
- B. Companies that aggressively monitor and protect the established boundaries of their competitive environment.
- C. Financially sound in unstable industries.
- D. Firms that sell one or more businesses to other firms with aggressive growth goals.
- E. In the mature stage of the product life cycle.

90. The two types of proactive strategies for influencing an organization's environment include

- A. Dependent strategies and independent strategies.
- B. Independent action and cooperative action.
- C. Cooperative strategies and strategic maneuvering.
- D. Strategic maneuvering and dependent strategies.
- E. Independent action and strategic maneuvering.

91. Strategies that an organization acting on its own uses to change some aspect of its current environment are called

- A. Flexible strategies.
- B. Buffering strategies.
- C. Independent strategies.
- D. Smoothing strategies.
- E. Cooperative strategies.

92. Walmart recently engaged Amazon.com in an online price war in an attempt to become the largest Internet retailer in the world. This is an example of \_\_\_\_\_ on the part of Walmart.

- A. cooptation
- B. voluntary action
- C. competitive pacification
- D. competitive aggression
- E. environmental scanning

93. When Yaro FroYo spends its own money to promote the frozen yogurt industry as a whole, the company is practicing

- A. Competitive aggression.
- B. Competitive pacification.
- C. Public relations.
- D. Voluntary cooptation.
- E. Cooperative action.

94. When Explosive advertises its energy drink product as being superior to the leading energy drink, it is demonstrating

- A. Competitive aggression.
- B. Competitive pacification.
- C. Benchmarking.
- D. Political action.
- E. Cooptation.

95. When two or more companies work together to alter their current environment, they are using

- A. Monopolistic strategies.
- B. Strategic maneuvering.
- C. Cooperative strategies.
- D. Dependent strategies.
- E. Codependent strategies.

96. Quartermaine University has just formed a board of trustees and invited 25 of its wealthiest alumni to join. In this example QU is demonstrating

- A. Contraction.
- B. Cooptation.
- C. Coalition.
- D. Political action.
- E. Voluntary action.

97. Western Allied Heath and Grant Pharmaceuticals have joined forces with one another to lobby against Medicare reform. This action is referred to as

- A. Contraction.
- B. Coalition.
- C. Cooptation.
- D. Domain selection.
- E. Benchmarking.

98. The process of sharing power with employees is called

- A. Empowerment.
- B. Job sharing.
- C. Benchmarking.
- D. Vertical synergy.
- E. Team building.

99. Candace recently stepped into a managerial role at her very bureaucratic organization. The industry had been changing dramatically, and Candace suggested that the management team encourage employees to develop more confidence by sharing power with them in order to create a more flexible, adaptable organization. Here Candace is suggesting the use of \_\_\_\_\_ with employees.

- A. smoothing
- B. benchmarking
- C. empowerment
- D. kanban
- E. buffering

100. Creating supplies of excess resources in case of unpredictable needs is called

- A. Just-in-time inventory management.
- B. Smoothing.
- C. Flexible processes.
- D. Kanban.
- E. Buffering.

101. Alyssa owns Carver Gifts, and she is projecting that the economy will rebound this fall. She ordered additional holiday gift merchandise in February in anticipation of the surge in sales that the holiday season usually but not always brings to her retail store. Here Alyssa is using \_\_\_\_\_ to be sure she has enough gifts for those extra holiday customers.

- A. just-in-time inventory management
- B. smoothing
- C. kanban
- D. buffering
- E. adapting at the core

102. The growth of contingent workers in the U.S. labor force due to unpredictable labor demand is an illustration of

- A. Adapting at the core.
- B. Flexible processes.
- C. Buffering.
- D. Smoothing.
- E. Empowerment.

103. Leveling normal fluctuations at the boundaries of the environment is called

- A. Buffering.
- B. Smoothing.
- C. Flexible processes.
- D. Empowerment.
- E. Kanban.

104. Methods for adapting the technical core to changes in the environment are called

- A. Flexible processes.
- B. Smoothing effects.
- C. Buffering.
- D. Benchmarking.
- E. Environmental scanning.



105. The National Bicycle Industrial Company (NBIC) of Japan specializes in mass customization. Customers can choose the frame and other parts of the bicycle and it is made to their order. This is one example of how NBIC uses

- A. Kanban.
- B. Flexible processes.
- C. Smoothing.
- D. Benchmarking.
- E. Environmental scanning.

106. The set of important assumptions about the organization and its goals and practices that members of the company share is called

- A. Organization culture.
- B. Organization norms.
- C. Industrial environment.
- D. A closed system.
- E. An open system.

107. The five-by-eight-inch card with one rule on it, "Use good judgment in all situations," that employees at Nordstrom receive as the employee handbook tells the employees a great deal about their company's

- A. Organizational location.
- B. Business environment.
- C. Organization culture.
- D. Environmental scanning.
- E. Macroenvironment.

108. Which of the following can be a useful clue about an organization's culture?

- A. The way people interact with each other and with customers.
- B. Information printed in the media from sources outside the company.
- C. The macroenvironment.
- D. Environmental scanning.
- E. The industrial environment.

109. A(n) \_\_\_\_\_ culture is one in which everyone understands and believes in the firm's goals, priorities, and practices.

- A. informal
- B. formal
- C. strong
- D. weak
- E. influential

110. Which of the following statements about organizational culture is TRUE?

- A. Corporate mission statements are always a true expression of culture.
- B. Who is hired and fired and why indicate the firm's real value and are a clue to the culture.
- C. A strong culture is a flexible culture so it can adapt quickly to environmental changes.
- D. The competing values model of culture includes the "individual" type of culture.
- E. It is unnecessary to consider culture when considering a merger.

111. The two dimensions upon which the competing values model of culture is defined are

- A. Flexibility vs. control AND internal vs. external focus of the organization.
- B. Levels of hierarchy vs. levels of empowerment.
- C. Leadership type vs. levels of hierarchy.
- D. Degree of environmental scanning vs. level of empowerment.
- E. Level of environmental scanning vs. level of environmental influence.

112. If an organization's culture is internally oriented and flexible and tends to be based on the values and norms associated with affiliation, it could best be described as \_\_\_\_\_, according to the competing values model.

- A. a group culture
- B. a hierarchical culture
- C. a rational culture
- D. an adhocracy
- E. values-oriented

113.If an organization's culture is externally oriented and focused on control with its primary objectives as productivity, planning, and efficiency, it could best be described as \_\_\_\_\_ type of culture, according to the competing values model.

- A. a group
- B. a hierarchical
- C. a rational
- D. an adhocracy
- E. a values-oriented

114.Which of the following approaches is effective for top management to use to manage the positive corporate culture effectively?

- A. Executives must not give too much attention to the mundane details of daily affairs.
- B. Executives must allow the organization to develop lofty ideas and visions for the company, and then it is up to others in the organization to follow through on these ideas and visions.
- C. CEOs and other executives should always make choices that contribute to profit even if this means not quite living up to the company's values.
- D. Hire and promote employees on the basis of the organization's corporate values.
- E. All of these are effective to manage the corporate culture.

115. Attitude and behavior patterns that shape people's experience of an organization are

- A. The professional culture.
- B. The organization climate.
- C. The industrial environment.
- D. A closed system.
- E. An open system.

## Scenario A

Connie's Collectibles is a small retail store that specializes in antique jewelry. In analyzing the environment, Connie has uncovered several interesting findings:

1. Connie has recently purchased more inventory than in the past. The customers from whom she buys are selling off more jewelry because their children are not interested in this type of jewelry and these customers would prefer to liquidate their jewelry to help them with their daily expenses since they no longer wear most of it.
2. Connie has recently discovered that her business is in a historical preservation district, so as she considers remodeling the shop, she has found she must pay attention to the guidelines set forth in the governing laws.
3. Connie's buyer-customer base seems to be changing. The tastes of the younger generation near her shop are shifting to modern jewelry, so the customer base to which she sells is shrinking.
4. Connie has been told that she should investigate selling her inventory via the Internet, but she does not own (or understand how to use) a computer.
5. In reading a survey of regional business, Connie discovered that there are no other antique jewelry stores within a 200-mile radius of hers.

116. Given the information in Scenario A, which of the following elements of the macroenvironment was part of Connie's Collectibles findings?

- A. Sustainability.
- B. Psychology.
- C. Corporate governance.
- D. Sociology.
- E. Technology.

117. When Connie read the survey of regional businesses, she was investigating

- A. The competitive environment.
- B. The macroenvironment.
- C. A closed environment.
- D. The internal environment.
- E. The social environment.



118. Findings about changes in jewelry sellers and in customer tastes are associated with the

- A. Competitive environment as described by Porter.
- B. Macroenvironmental economic trends.
- C. Macroenvironmental political trends.
- D. Amount of rivalry in Connie's competitive environment.
- E. Barriers to entry in Connie's competitive environment.

119. Findings about the historical preservation district are most closely associated with which element of the macroenvironment?

- A. Laws and regulations.
- B. The economy.
- C. Demographics.
- D. Technology.
- E. The natural environment.

## Scenario B

You and a fellow investor are investigating the possibility of starting a new casino in Black Hawk, Colorado, a small town in the Rocky Mountains. It has been your lifelong dream. You have won the lottery and are trying to decide if this is what you want to do with your prize money. You decide to do an analysis of the competitive environment. After your analysis, you discover several important issues. First, it will cost most of your lottery winnings to finance a casino in Black Hawk! Second, it will be difficult to attract new customers because they have so many choices available to them in Black Hawk and the surrounding small towns. Finally, the competition in the casino industry is considered fierce by industry analysts. and this is frightening to someone who has never worked in the casino industry.

120. The analysis of the competitive environment that you have conducted utilized the work of

- A. Frederick Taylor.
- B. Michael Porter.
- C. Abraham Maslow.
- D. Douglas McGregor.
- E. Lillian Gilbreth.

121. The information that you have collected in your competitive analysis can be referred to as

- A. Forecasting.
- B. Competitive intelligence.
- C. Environmental scanning.
- D. Benchmarking.
- E. Scenario development.

122. The existence of savvy customers in an industry is an indication of

- A. High bargaining power of suppliers.
- B. Low bargaining power of suppliers.
- C. High bargaining power of customers.
- D. Low bargaining power of customers.
- E. Low threat of new entry.

123. The fact that it will require such a large capital investment to start a new casino is an example of which of the following factors?

- A. High bargaining power of customers.
- B. Low threat of new entrants.
- C. High threat of new entrants.
- D. Many substitute products.
- E. Low bargaining power of customers.

#### Scenario C

Smash Marketing is a consulting firm located in the Midwest. Mr. William "Bill" Smash started the firm as a young man in the early 1950s. The firm has grown; but with growth, it has never forgotten the vision of Mr. Smash: to be creative in all the firm does while delighting the client. Each year the Smash Award for Advertising Creativity is given to the employee who most exemplifies Mr. Smash's vision. New employees are told of the organization's greatest accomplishments and are taken on a tour of the "Wall of Memories" where pictures of the company taken over the years are hung. One is even included to remind everyone of the disastrous fire that the company not only survived, but also built upon to strengthen the sense of teamwork clearly evident throughout the firm. In fact, there is a long tradition of employee participation in decision making, and all employees consider themselves to be part of the "Smash Family."

124.The photo of the fire is an example of a(n)

- A. Story.
- B. Value.
- C. Legend.
- D. Symbol.
- E. Rite.

125.When new employees are told of the organization's great accomplishments and history, it is an example of a(n)

- A. Mission statement.
- B. Official goal.
- C. Story.
- D. Ceremony.
- E. Rite.

126.The culture at Smash Marketing can best be described as a(n)

- A. Group culture.
- B. Hierarchical culture.
- C. Rational culture.
- D. Adhocracy.
- E. Team culture.

127. Based on the information in the above scenario, which of the following outcomes would you most expect if business dropped off dramatically for Smash Marketing?

- A. Mr. Smash would lay off most of his workforce.
- B. Mr. Smash would sell the company and move to Hawaii.
- C. The members of the company would go on strike.
- D. Mr. Smash would charge more for the consulting services so that he can make ends meet.
- E. The members of the entire company would agree that they should each cut their hours by 15 percent so that no one is laid off.

#### Scenario D

Margarita works for a small company, which processes and cans tomatoes and other vegetables. She reports to the CFO. It is her job to predict the costs of raw materials for the next five years. She uses various research sources, including the news, to learn who the competition is and what they have been doing. In fact she subscribes to an analyst e-newsletter that tells her about crop availability and weather conditions all around the globe. Every month she develops a spreadsheet for her boss indicating the likely costs of vegetables given the type of weather conditions expected in each area of the world and thus the availability of particular crops. She is also involved in a team that is investigating how to cut canning costs. They have recently met with Good Cans, a company that manufactures and cans tennis balls. Good Cans is considered the top company in the canning industry, especially in canning process knowledge, and Margarita's team is comparing their processes to those of Good Cans to see how they might improve.

128. When predicting the costs for her company, Margarita is engaging in

- A. Forecasting.
- B. Competitive intelligence.
- C. Environmental scanning.
- D. Benchmarking.
- E. Scenario development.

129. The research Margarita is using is called

- A. Forecasting.
- B. Competitive intelligence.
- C. Environmental scanning.
- D. Benchmarking.
- E. Scenario development.

130. The spreadsheet that Margarita uses gives her a chance to examine different projections, which is a form of

- A. Forecasting.
- B. Competitive intelligence.
- C. Environmental scanning.
- D. Benchmarking.
- E. Scenario development.

131. Margarita and her team are using \_\_\_\_\_ when they learn from Good Cans about its canning process.

- A. forecasting
- B. competitive intelligence
- C. environmental scanning
- D. benchmarking
- E. scenario development

### Essay Questions

132. List the five elements of a firm's macroenvironment and illustrate how each affects the firm.



133. Discuss how immigration patterns influence the management of the U.S. labor force.

134. Provide an example and explanation of the natural environment's effect on the management of a specific organization.

135. Describe the five forces in Porter's model for competitive analysis.

136. List actions and attitudes that result in excellent customer service. Illustrate each from your own experiences as either a customer or a service provider.

137. As environmental uncertainty increases, managers must develop techniques and methods for collecting, sorting through, and interpreting information about the environment. Discuss four of these methods, explaining when and why each would be used.

138. Differentiate between unattractive and attractive competitive environments, using Porter's model of the competitive environment, and give an example for each situation.

139.To respond to their environment, managers and companies have a number of options, which can be grouped into three categories. Describe each category.

140.Summarize the different approaches to strategic maneuvering that organizations can take to change the environment they are in.

141. Discuss three independent strategies that a firm may use as a proactive response to its environment.

142. Contrast bureaucratic organizations with organic ones. In which environments is each most successful?

143. Discuss the clues utilized to diagnose a culture.

144. Describe the culture of an organization that you have either worked in or studied.

Which of the four types of organizational culture described in the chapter does the organization illustrate? Justify your answer.

## Chapter 02 The External and Internal Environments **Answer Key**

### True / False Questions

1. Organizations are open systems that affect and are affected by their external environments.

**TRUE**

Organizations are open systems; that is, they are affected by and in turn affect their external environments. For example, they take in inputs from their environment and use them to create products and services that are outputs to their environment, as shown in Figure 2.1.

Refer To: Figure 2.1

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-01 Describe how environmental forces influence organizations and how organizations can influence their environments.*

*Level of Difficulty: 2 Medium*

*Topic: Management Connection*

2. The external environment includes all relevant forces outside the organization's boundaries.

**TRUE**

The term external environment means more than an organization's clients or customers; the external environment includes all relevant forces outside the organization's boundaries.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-01 Describe how environmental forces influence organizations and how organizations can influence their environments.*

*Level of Difficulty: 1 Easy*

*Topic: Management Connection*

3. Strategy is an example of an input to an organization.

**FALSE**

Figure 2.1 shows inputs such as raw materials, services, equipment, capital, and information used by the organization to produce outputs such as products and services.

Refer To: Figure 2.1

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-01 Describe how environmental forces influence organizations and how organizations can influence their environments.*

*Level of Difficulty: 2 Medium*



4. A firm's competitive environment includes new entrants, as well as substitutes and complements.

**TRUE**

Figure 2.2 shows the external environment of a business organization. The organization exists in its competitive environment, which is composed of the firm and its rivals, suppliers, customers (buyers), new entrants, and substitute or complementary products.

Refer To: Figure 2.2

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-01 Describe how environmental forces influence organizations and how organizations can influence their environments.*

*Level of Difficulty: 2 Medium*

*Topic: Management Connection*

5. An organization's macroenvironment includes its customers and suppliers.

**FALSE**

Figure 2.2 shows the external environment of a business organization. At the more general level is the macroenvironment, which includes legal, political, economic, technological, demographic, and social and natural factors that generally affect all organizations.

Refer To: Figure 2.2

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-01 Describe how environmental forces influence organizations and how organizations can influence their environments.*

*Level of Difficulty: 2 Medium*

*Topic: Management Connection*

6. When investors bid up stock prices, companies have less capital to fuel their strategies.

**FALSE**

An important economic influence is the stock market. When investors bid up stock prices, they are paying more to own shares in companies, which means the companies have more capital to fuel their strategies.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.*

*Level of Difficulty: 2 Medium*  
*Topic: The Macroenvironment*

7. While the stock market can impact a firm, it has no effect on the behavior of individual managers.

**FALSE**

The stock market can have a profound effect on the behavior of individual managers. In publicly held companies, managers throughout the organization may feel required to meet Wall Street's earnings expectations.

*AACSB: Analytic*  
*Blooms: Understand*  
*Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.*  
*Level of Difficulty: 2 Medium*  
*Topic: The Macroenvironment*

8. Firms that develop strategies that do not include technological advances will realize obsolescence and extinction.

**TRUE**

Today a company cannot succeed without incorporating into its strategy the astonishing technologies that exist and continue to evolve. Technological advances create new products, advanced production techniques, and better ways of managing and communicating.

*AACSB: Analytic*  
*Blooms: Understand*

*Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.*

*Level of Difficulty: 2 Medium*

*Topic: The Macroenvironment*

9. U.S. government policies both impose strategic constraints and provide opportunities for organizations.

**TRUE**

U.S. government policies impose strategic constraints on organizations but may also provide opportunities. The government can affect business opportunities through tax laws, economic policies, and international trade rulings. An example of restraint on business action is the U.S. government's standards regarding bribery.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.*

*Level of Difficulty: 2 Medium*

*Topic: The Macroenvironment*

10. Regulatory agencies set rules but are typically weak institutions since they do not have the power to investigate company practices or to take legal action to ensure compliance with the law.

**FALSE**

Regulators are specific government organizations in a firm's more immediate task environment. Regulatory agencies have the power to investigate company practices and take legal action to ensure compliance with laws.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.*

*Level of Difficulty: 2 Medium*

*Topic: The Macroenvironment*

11. Social metrics are measures of various characteristics of the people who make up groups or other social units.

**FALSE**

Demographics are measures of various characteristics of the people who make up groups or other social units. Work groups, organizations, countries, markets, and societies can be described statistically by referring to demographic measures such as their members' age, gender, family size, income, education, occupation, and so forth.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.*

*Level of Difficulty: 1 Easy*

*Topic: The Macroenvironment*

12. The fastest-growing age group in the U.S. civilian labor force is the group between 30 and 40 years old.

**FALSE**

The fastest-growing age group is workers who are 55 and older, who are expected to represent close to one-fourth of the labor force in 2018.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.*

*Level of Difficulty: 1 Easy*

*Topic: The Macroenvironment*

13. Despite government crackdowns, immigration is one reason why the labor force will be more ethnically diverse in the future than it is today.

**TRUE**

Immigration is one reason why the labor force in the future will be more ethnically diverse than it is today. The demographic importance of immigration intersects with legal issues governing who is permitted to work in the United States.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.*

14. The percentage of women participating in the U.S. workforce has increased sharply since 1999.

**FALSE**

Throughout the 1970s and 1980s, women became much more likely to take paying jobs. In the 1970s only about one-third of women were in the labor force, but 60 percent had jobs in 1999. Since then, women's labor force participation rate has stayed near that level, declining only slightly.

*AACSB: Analytic*  
*Blooms: Understand*  
*Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.*  
*Level of Difficulty: 2 Medium*  
*Topic: The Macroenvironment*

15. A more diverse workforce presents managers with challenges as well as opportunities.

**TRUE**

A more diverse workforce has many advantages, but managers have to make certain they provide equality for women and minorities with respect to employment, advancement, opportunities, and compensation.

*AACSB: Analytic*  
*Blooms: Understand*

*Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.*

*Level of Difficulty: 2 Medium*

*Topic: The Macroenvironment*

16. Family leave, flexible working hours, and child care assistance have been introduced as a direct result of the growing ethnic diversity in the workplace.

**FALSE**

Today more women are having children and then returning to the workforce. As a result companies have introduced more supportive policies, including family leave, flexible working hours, and child care assistance.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.*

*Level of Difficulty: 2 Medium*

*Topic: The Macroenvironment*

17. Porter's model for competitive analysis is one example of analyzing the competitive environment for adapting to and even influencing the nature of competition.

**TRUE**

In strategic decision making, Porter's model is an excellent method to help managers analyze the competitive environment and adapt to or influence the nature of their competition.

*AACSB: Analytic*



*Blooms: Remember*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 1 Easy*

*Topic: The Competitive Environment*

18. Red Bull, an energy drink, is a competitor to Pepsi.

**TRUE**

Coca-Cola and Pepsi are obvious competitors, but consumer tastes have shifted away from soda to energy drinks and other beverages. Thus energy drinks are now a competitor to colas.

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 3 Hard*

*Topic: The Competitive Environment*

19. The first question in understanding competitive environments from Porter's model is "How strong is the competition?"

**FALSE**

The first question to consider is "Who is the competition?"

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 1 Easy*

*Topic: The Competitive Environment*

20. A barrier to entry is a condition that prevents customers from using a firm's products or services.

**FALSE**

Barriers to entry are conditions that prevent new companies from entering an industry. Some major barriers to entry are government policy, capital requirements, brand identification, cost disadvantages, and distribution channels.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 1 Easy*

*Topic: The Competitive Environment*

21. According to Porter's model, Netflix streaming video would be considered a substitute for Blockbuster DVD rental.

**TRUE**

A substitute is a potential threat; customers use it as an alternative, buying less of one kind of product but more of another.

Refer To: Table 2.1

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 2 Medium*

22. Landscaping products are complements when people are buying new homes.

**TRUE**

Besides identifying and planning for substitutes, companies must consider complements for their products. When people are buying new homes, they are also buying appliances and landscaping products.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 2 Medium*

*Topic: The Competitive Environment*

23. Powerful suppliers can increase a buying organization's profits, especially when the organization must hold prices steady for its customers.

**FALSE**

Powerful suppliers can reduce an organization's profits, particularly if the organization cannot pass on price increases to its customers because it cannot raise its prices or provide poor-quality goods and services.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 2 Medium*

*Topic: The Competitive Environment*

24. Needing to learn a new software program as a result of changing suppliers is an example of a switching cost.

**TRUE**

Dependence on suppliers results from high switching costs, the fixed costs buyers face if they change suppliers. For example, once a buyer learns how to operate a supplier's equipment, such as computer software, the buyer faces both economic and psychological costs in changing to a new supplier.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 2 Medium*

*Topic: The Competitive Environment*

25. Input chain management is the managing of the network of facilities and people that obtain materials from outside the organization, transform them into products, and distribute them to customers.

**FALSE**

Supply chain management is the managing of the entire network of facilities and people that obtain raw materials from outside the organization, transform them into products, and distribute them to customers.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 1 Easy*

26. The goal of supply chain management is having the right product in the right quantity at the right place at the right cost.

**TRUE**

Today the goal of effective supply chain management is to have the right product in the right quantity available at the right place at the right cost.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 1 Easy*

*Topic: The Competitive Environment*

27. The Internet has empowered customers by providing an easy source of information.

**TRUE**

The Internet has further empowered customers. It provides an easy source of information, both about product features and about pricing.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 2 Medium*

*Topic: The Competitive Environment*

28. Environmental scanning means sorting through information available to the public to interpret what is important and what is not.

**FALSE**

Environmental scanning means both searching out information that is unavailable to most people and sorting through that information to interpret what is important and what is not.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 1 Easy*

*Topic: Environmental Analysis*

29. Competitive intelligence is also known as corporate espionage.

**FALSE**

Using environmental scanning, managers develop competitive intelligence, the information necessary to decide how best to manage in the competitive environment they have identified.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 1 Easy*

*Topic: Environmental Analysis*

30. Benchmarking means comparing your processes to the best-in-class performance by a company in a given area.

**TRUE**

Benchmarking means identifying the best-in-class performance by a company in a given area, say, product development or customer service, and then comparing your processes to theirs.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 1 Easy*

*Topic: Environmental Analysis*

31. Organizations that are defenders are more likely to engage in strategic maneuvering than are prospectors.

**FALSE**

Organizations engage in strategic maneuvering when they move into different environments. Some companies, called prospectors, are more likely than others to engage in strategic maneuvering. Defenders, in contrast, stay within a more limited, stable product domain.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 1 Easy*

*Topic: Responding to the Environment*

32. April, a manager in a call center, encourages her employees to solve customers' problems without her approval of the particular situation. Here April has empowered her employees.

**TRUE**

Empowerment is the process of sharing power with employees, thereby enhancing their confidence in their ability to perform their jobs and their belief that they are influential contributors to the organization.

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 3 Hard*

*Topic: Responding to the Environment*

33. Southwest Airlines demonstrates the independent action strategy known as competitive pacification by cutting fares when it enters a new market.

**FALSE**

Southwest Airlines demonstrates competitive aggression (exploiting a distinctive competence such as being the low-cost leader) by cutting fares when it enters a new market.

Refer To: Table 2.3

*AACSB: Analytic*

*Blooms: Apply*



*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 3 Hard*

*Topic: Responding to the Environment*

34. In a dynamic environment, bureaucratic organizations are more efficient than organic organizations.

**TRUE**

While bureaucratic organizations may be efficient and controlled if the environment is stable, they tend to be slow-moving and plodding in a dynamic environment in which products, technologies, customers, or competitors are changing over time.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 2 Medium*

*Topic: Responding to the Environment*

35. A strong organization culture is one in which everyone understands and believes in the firm's goals, priorities, and practices.

**TRUE**

Cultures can be strong or weak; strong cultures can have great influence on how people think and behave. A strong culture is one in which everyone understands and believes in the firm's goals, priorities, and practices.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-07 Discuss how an organization's culture and climate affect its response to its external environment.*

*Level of Difficulty: 2 Medium*

*Topic: The Internal Environment of Organizations: Culture and Climate*

36. Stories told by employees almost never have any connection to the true culture of the organization.

**FALSE**

The stories people tell carry a lot of information about the company's culture. Every company has its myths, legends, and true stories about important past decisions and actions that convey the company's main values.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-07 Discuss how an organization's culture and climate affect its response to its external environment.*

*Level of Difficulty: 2 Medium*

*Topic: The Internal Environment of Organizations: Culture and Climate*

## Multiple Choice Questions

37. Organizations that are affected by and that affect their environment are called

- A. Input systems.
- B. Output systems.
- C. Open systems.
- D. Closed systems.
- E. Social systems.

Organizations are open systems; that is, they are affected by and in turn affect their external environments. For example, they take in inputs from their environment and use them to create products and services that are outputs to their environment, as shown in Figure 2.1.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-01 Describe how environmental forces influence organizations and how organizations can influence their environments.*

*Level of Difficulty: 1 Easy*

*Topic: Management Connection*

38. Liz, a new manager at Stamford Soft, has been asked to focus on the competitive environment of the organization. Which of these factors is among those on which Liz should focus?

A. Government legislation.

B. Culture.

C. Demographics.

D. Buyers.

E. Technology.

The competitive environment is composed of the firm and its rivals, suppliers, customers (buyers), new entrants, and substitute or complementary products.

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-01 Describe how environmental forces influence organizations and how organizations can influence their environments.*

*Level of Difficulty: 3 Hard*

*Topic: Management Connection*

39. The economy is a crucial component of the macroenvironment. Which of the following statements is most true about economic macro effects?

- A. The impact of changes in the economy is predictable to competitors.
- B.** There are complex interconnections among the economies of different countries.
- C. Changes in the economy are impossible to quantify.
- D. High-level managers have little awareness of economic indicators.
- E. The economy has no macro effects on managers.

Although most Americans think in terms of the U.S. economy, the economic environment for organizations is much larger, created by complex interconnections among the economies of different countries.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.*

*Level of Difficulty: 2 Medium*

*Topic: The Macroenvironment*

40. Interest rates, inflation, the federal deficit, and unemployment levels are all elements in which aspect of the macroenvironment?

- A. The social environment.
- B. The demographic environment.
- C. The international environment.
- D. The regulatory environment.
- E. The economic environment.

The economic environment dramatically affects managers' ability to function effectively and influences their strategic choices. Interest and inflation rates affect the availability and cost of capital, growth opportunities, prices, costs, and consumer demand for products. Unemployment rates affect labor availability and the wages the firm must pay, as well as product demand.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.*

*Level of Difficulty: 2 Medium*

*Topic: The Macroenvironment*

41. New methods of communication, production, and even the development of entire new industries are the results of the changes in

- A. Demographics.
- B. Societal preferences.
- C. Politics.
- D. Technology.
- E. The economy.

Technological advances create new products, advanced production techniques, and better ways of managing and communicating. In addition, as technology evolves, new industries, markets, and competitive niches develop.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.*

*Level of Difficulty: 2 Medium*

*Topic: The Macroenvironment*

42. Advances in genetic engineering and biotechnology are expected to produce some food products that will be available year-round even in northern climates. This provides grocers an opportunity to reduce shipping costs while at the same time offering fresher produce to customers. These advances are an example of changes in the

- A. Technological environment.
- B. Economic environment.
- C. Political environment.
- D. Demographic environment.
- E. Ecological environment.

The biotechnology field makes use of advanced technologies for competitive advantage. Technological advances create new products such as those mentioned in the question.

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.*

*Level of Difficulty: 3 Hard*

*Topic: The Macroenvironment*



43. Managers with ready access to information

- A. Increase costs.
- B.** Are able to manage and communicate more effectively.
- C. Are in danger of losing power to rivals or suppliers.
- D. Decrease their span of control.
- E. Always increase sales.

Technological advances have created better ways of managing and communicating. This leads to the speed with which information can be exchanged, thus giving managers with ready access to information a significant competitive edge.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.*

*Level of Difficulty: 2 Medium*

*Topic: The Macroenvironment*

44. Using international bribery as a business tactic may result in fines for U.S. firms. This statement reflects which type of environmental force at work?

- A. Competitive.
- B. Economic.
- C. Legal/political.
- D. Societal values.
- E. Demographics.

An example of laws and regulations in the macroenvironment is the U.S. government's standards regarding bribery. Some companies have been fined for the practice.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.*

*Level of Difficulty: 2 Medium*

*Topic: The Macroenvironment*

45. Armando was recently hired as the workplace safety compliance officer at Preston Mining Company. Armando will have the responsibility to monitor regulations from which of these government agencies?

- A. FCC.
- B. EPA.
- C. SEC.
- D. OSHA.
- E. NLRB.

OSHA stands for the Occupational Safety and Health Administration, the regulatory agency responsible for safety in the workplace, as its name suggests. Thus Armando as a workplace safety compliance officer would have to be familiar with OSHA regulations.

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.*

*Level of Difficulty: 3 Hard*

*Topic: The Macroenvironment*

46. The SEC recently proposed regulations requiring companies to disclose more details about executive compensation. This illustrates an important interaction between organizations and their relevant

A. Demographics.

B. Regulators.

C. Attorneys.

D. Labor officials.

E. Suppliers.

Regulators are specific government organizations in a firm's more immediate task environment. The SEC is one example of a regulatory agency.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.*

*Level of Difficulty: 2 Medium*

*Topic: The Macroenvironment*

47. Measures of various characteristics of the people who make up groups or other social units are called

A. Psychographics.

**B.** Demographics.

C. Social characteristics.

D. Lifestyle analytics.

E. Unit characterization.

Demographics are measures of various characteristics of the people who make up groups or other social units. Work groups, organizations, countries, markets, and societies can be described statistically by referring to demographic measures such as their members' age, gender, family size, income, education, occupation, and so forth.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.*

*Level of Difficulty: 1 Easy*

*Topic: The Macroenvironment*

48. Which of the following statements about workforce demographics is true?
- A. Training of entry-level workers is not needed in today's modern workplace.
  - B. Workforce demographics have little to do with human resource strategies.
  - C. Older, experienced workers are likely to be relatively scarce over the next five years.
  - D. Population growth influences the size and composition of the labor force.
  - E. Technical tasks can be sent overseas to be accomplished, but companies usually then have to pay more for labor.

Population growth influences the size and composition of the labor force. In the decade from 2008 to 2018, the U.S. civilian labor force is expected to grow at a rate of 8.2 percent, reaching 166.9 million. This growth is slower than during the previous decade.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.*

*Level of Difficulty: 2 Medium*

*Topic: The Macroenvironment*

49. \_\_\_\_\_ trends regarding how people think and behave have major implications for management of the labor force, corporate social actions, and strategic decisions about products and markets.

A. Psychological

B. Political

C. Economic

D. Technological

E. Societal

Societal trends regarding how people think and behave have major implications for management of the labor force, corporate social actions, and strategic decisions about products and markets.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.*

*Level of Difficulty: 2 Medium*

*Topic: The Macroenvironment*

50. A company that is concerned with the quantity and quality of resources available for its business processes will investigate which factor in the macroenvironment?

- A. The natural environment.
- B. The social environment.
- C. The demographic environment.
- D. The regulatory environment.
- E. The economic environment.

Directly or indirectly, organizations depend on the natural environment to provide them with resources. When the quantity is depleted or the quality is damaged, costs for resources skyrocket.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.*

*Level of Difficulty: 2 Medium*

*Topic: The Macroenvironment*



51. Which of the following is an element of Porter's model for analyzing the competitive environment?

A. Substitutes and complements.

B. Cost strategy.

C. Potential customers.

D. Regulatory forces.

E. SBU strategy.

As shown in Figure 2.4, the competitive environment includes rivalry among current competitors and the impact of new entrants, substitute and complementary products, suppliers, and customers.

Refer To: Figure 2.4

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 1 Easy*

*Topic: The Competitive Environment*

52. The competitive environment consists of

- A. The firm and its rivals, suppliers, customers (buyers), new entrants, and substitute or complementary products.
- B. Only those organizations on which the focal organization to provide supplies and materials.
- C. The workers of the organizations that complete the organization's activities.
- D. The organizations that hold the firm accountable to their stakeholders.
- E. The broader influences that affect a firm's competitive advantage.

As shown in Figure 2.4, the competitive environment includes rivalry among current competitors and the impact of new entrants, substitute and complementary products, suppliers, and customers.

Refer To: Figure 2.4

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 1 Easy*

*Topic: The Competitive Environment*

53. A firm's current competition, suppliers, customers, and the threat of new entrants or of substitutes are all elements in the

- A. Task environment.
- B. Peters model for organizational excellence.
- C. Microenvironment.
- D. Porter model for competitive analysis.
- E. Industrial microenvironment.

As shown in Figure 2.4, Porter's model of the competitive environment includes rivalry among current competitors and the impact of new entrants, substitute and complementary products, suppliers, and customers.

Refer To: Figure 2.4

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 1 Easy*

*Topic: The Competitive Environment*

54. A low-cost airline described as one of the excellent companies in the bestseller of the early 1980s, *In Search of Excellence*, is no longer in business. Industry analysts state that although the service and prices provided by the airline were what customers wanted, the larger airlines were able to drive the low-cost airline out of business through an aggressive price war. This scenario is illustrative of which aspect of the competitive environment?

A. Customers.

**B.** Rivals.

C. Regulators.

D. The economy.

E. Social trends.

The competitive environment is composed in part of rival firms such as the larger airlines in this example.

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 3 Hard*

*Topic: The Competitive Environment*

55. Walmart recently engaged Amazon.com in a price war, offering best-selling books for first \$10, then \$9; and now Target has jumped into the war with best sellers for \$8.98. This scenario is an example of which aspect of the competitive environment?

- A. Customers.
- B.** Competitors.
- C. Regulators.
- D. The economy.
- E. Substitutes.

The competitive environment is composed in part of rival firms such as Walmart, Amazon.com, and Target.

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 3 Hard*

*Topic: The Competitive Environment*

56. Which of the following is a competitor that a mass merchandiser like Target must identify and anticipate the actions of?

- A. Consumer advocacy groups.
- B. Mass merchandiser suppliers.
- C. Wholesale outlets like Sam's or Costco.
- D. Companies entering new markets.
- E. All of these are potential competitors.

Major competitors to Target include wholesale clubs. The other choices in the question are not rival firms, so they are not competitors.

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 3 Hard*

*Topic: The Competitive Environment*

57. Conditions that may prevent new firms from entering an industry (e.g., the use of patents) are referred to as

- A. Barriers to entry.
- B. Roadblocks.
- C. Unfair trade practices.
- D. Insider trading.
- E. Trade protectionism.

Barriers to entry are conditions that prevent new companies from entering an industry. Patents are one example of a barrier to entry.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 1 Easy*

*Topic: The Competitive Environment*

58. Hospitals and universities are very expensive to run not only due to the capital equipment that is required for each, but also due to the personnel such as specialized medical doctors and researchers. The cost of these types of institutions is an example of

- A. Enhancing barriers to entry.
- B. Eliminating protectionism.
- C. Unfair competition.
- D. Enhancing trade protectionism.
- E. Eliminating barriers to entry.

Barriers to entry are conditions that prevent new companies from entering an industry. In this case, the industries are medicine and education, and the equipment and personnel are extremely expensive and perhaps scarce, leading to barriers to entry.

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 3 Hard*

*Topic: The Competitive Environment*



59. Of the following, which produces the highest barrier to entry?

- A. Brand identification.
- B. Customer ratings.
- C. Pricing practices.
- D. The economy.
- E. Technology.

Some major barriers to entry include government policy, capital requirements, brand identification, cost disadvantages, and distribution channels. Brand identification forces new entrants to spend heavily to overcome customer loyalty.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 2 Medium*

*Topic: The Competitive Environment*

60. The development of new products that may replace sales of existing products is referred to as the threat of

A. New entrants.

B. Substitutes.

C. Enhanced supply.

D. Technology.

E. Complements.

A substitute is a potential threat; customers use it as an alternative, buying less of one kind of product but more of another.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 1 Easy*

*Topic: The Competitive Environment*

61. When microwave ovens were first introduced, they posed a potential threat to conventional oven producers. But the effect of microwaves on the sales of conventional ovens has been minimal; in fact, most homes today utilize both appliances. Oven technology has not advanced much lately and industry profits are flat. Based on this information,

- A. The threat of new entrants for either type of oven is high.
- B. The threat of competitive rivalry for either type of oven is high.
- C. The threat of new entrants for either type of oven is low.
- D. The threat of substitutes for either type of oven is high.
- E. The regulatory influence on these ovens is high and changing.

The threat of new entrants is likely low in this scenario primarily because industry profits are flat and there has not been a substantial technology breakthrough that might induce new competitors to enter.

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 3 Hard*

*Topic: The Competitive Environment*

62. Which of the following is an example of a potential substitute product?

- A. Hand sanitizer for soap.
- B. Ink cartridges for printers.
- C. Mops for detergent.
- D. iTunes for iPods.
- E. Furniture for apartments.

Only hand sanitizer is a substitute for soap, where customers use it as an alternative, buying less of one kind of product but more of another. The remaining choices are examples of complements.

Refer To: Table 2.1

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 3 Hard*

*Topic: The Competitive Environment*

63. Organizations must acquire a variety of resources in order to produce a product or service of value. These resources may include materials, equipment, financing, or even employees. The sources that provide these various resources are referred to as

- A. Resource firms.
- B. Placement centers.
- C. Retailers.
- D. Suppliers.
- E. Customs houses.

Organizations must acquire resources (inputs) from their environment and convert them into products or services (outputs) to sell. Suppliers provide resources needed for production in the form of people (trade schools and universities), raw materials (producers, wholesalers, and distributors), information (researchers and consulting firms), and financial capital (banks).

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 1 Easy*

*Topic: The Competitive Environment*

64. Fixed costs buyers face if they change suppliers are called

- A. Changing costs.
- B.** Switching costs.
- C. Supplier costs.
- D. Exchange costs.
- E. Sunk costs.

Dependence on suppliers can result from high switching costs, the fixed costs buyers face if they change suppliers.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 1 Easy*

*Topic: The Competitive Environment*

65. Laredo Bank & Trust uses the janitorial services of ProKleen, which provides necessary cleaning supplies, crew training, background security checks (since the crews work after hours), and all other associated expenses. The other available janitorial services do not provide security checks, so the bank would have to hire guards to watch the janitors. This expense effectively limits the bank to ProKleen's services. This illustrates the concept of

- A. High employment costs.
- B. Unfavorable supplier status.
- C. Favorable quality status.
- D. Complementary products.
- E. High switching costs.

Switching costs are fixed costs buyers face if they change suppliers. In this case, the bank would have to have a permanent security guard, a fixed cost, should it decide to switch from ProKleen to another cleaning service.

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 3 Hard*

*Topic: The Competitive Environment*

66. Management of the network of facilities and people that obtains materials from the outside, transforms them into products, and distributes the products to customers is called

- A. Collaboration.
- B. Switching costs.
- C. Cooptation.
- D. Customer service.
- E. Supply chain management.

Supply chain management means managing the entire network of facilities and people that obtains raw materials from outside the organization, transforms them into products, and distributes them to customers.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 1 Easy*

*Topic: The Competitive Environment*



67. Farley Roofing provides subcontracting services to residential construction firms. There are many firms in the marketplace like Farley, which does about 85 percent of its work for Beltway Builders. Beltway typically negotiates heavily with its subcontractors, which ultimately reduces Farley's profits. This situation is indicative of the high bargaining power of

- A. Customers.
- B. Suppliers.
- C. Substitute companies.
- D. Competitors.
- E. New construction companies.

An organization like Farley is at a disadvantage if it depends too heavily on powerful customers like Beltway. Beltway is powerful because it makes large purchases from Farley, which is evidently replaceable by one of the other firms in the business. Since Beltway is the largest customer of Farley and can likely buy from others, it has power over Farley.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 2 Medium*

*Topic: The Competitive Environment*

68. A customer who purchases raw materials or wholesale products before selling them to other parties is called a(n)

- A. Final supplier.
- B.** Intermediate consumer.
- C. Middle customer.
- D. First-tier supplier.
- E. Preliminary customer.

Intermediate consumers buy raw materials or wholesale products and then sell to final consumers, as when Sony buys components from IBM and uses them to make PS3 consoles.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 1 Easy*

*Topic: The Competitive Environment*

69. The main difference between a final consumer and an intermediate consumer is that

- A. The final consumer usually pays cash for the purchase, whereas the intermediate customer uses a credit arrangement.
- B. An intermediate consumer will utilize the purchase in order to sell its product/service to final consumers, whereas a final consumer uses the product herself.
- C. Final consumers purchase more (in dollar value) than do intermediate consumers.
- D. Intermediate consumers are usually more flexible in their product requirements and scheduling than final consumers.
- E. Final consumers have more bargaining power than intermediate consumers.

Intermediate consumers buy raw materials or wholesale products and then sell to final consumers, as when Sony buys components from IBM and uses them to make PS3 consoles.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 2 Medium*

*Topic: The Competitive Environment*

70. Which of the following would be considered a consumer?

- A. OSHA.
- B. Neiman Marcus.
- C. An individual.
- D. IBM.
- E. All of these would be considered consumers.

A customer purchases the goods or services an organization offers as either a final or an intermediate consumer. Here an individual is a final consumer, the government agency is likely a final consumer since the organization does not make products, and IBM and Neiman Marcus are intermediate consumers.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 2 Medium*

*Topic: The Competitive Environment*

71. Giving customers what they want or need, the way they want it, the first time is known as

- A. Planned giving.
- B. Planned obsolescence.
- C. Customer service.
- D. Cause marketing.
- E. Operations management.

Customer service means giving customers what they want or need, the way they want it, the first time. This usually depends on the speed and dependability with which an organization can deliver its products.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 1 Easy*

*Topic: The Competitive Environment*

72. Environmental uncertainty results from

- A. Complexity.
- B. Simplicity.
- C. Cooperation.
- D. Product and industry stability.
- E. An incrementally changing environment.

Environmental uncertainty means that managers do not have enough information about the environment to understand or predict the future. Uncertainty arises from complexity and dynamism.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 2 Medium*

*Topic: Environmental Analysis*

73. \_\_\_\_\_ refers to the degree of discontinuous change that occurs within the industry.

- A. Environmental complexity
- B. Environmental dysfunction
- C. Environmental contracting
- D. Environmental cooptation
- E. Environmental dynamism

Environmental dynamism refers to the degree of discontinuous change that occurs within the industry. High-growth industries with products and technologies that change rapidly tend to be more uncertain than stable industries where change is less dramatic and more predictable.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 1 Easy*

*Topic: Environmental Analysis*

74. Ranier Outdoor Clothing managers engage in an annual organizational assessment, trying to predict industry changes as well as possible opportunities and threats. They look at issues such as who their competitors are, current entry barriers, and what substitutes exist for their products. This assessment is called

- A. Scenario development.
- B. Forecasting.
- C. Benchmarking.
- D.** Environmental scanning.
- E. SWOT analysis.

Environmental scanning means both searching out information that is unavailable to most people and sorting through that information to interpret what is important and what is not. Managers ask questions such as these: "Who are our current competitors?" "Are there few or many entry barriers to our industry?" and "What substitutes exist for our product or service?"

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 2 Medium*

*Topic: Environmental Analysis*



75. An outcome of environmental scanning is \_\_\_\_\_, the information necessary to decide how best to manage in the competitive environment managers have identified.

- A. an organizational plan
- B. entry barrier concepts
- C. competitive intelligence
- D. corporate espionage plans
- E. competitive counterplans

Answers to environmental scanning questions help managers develop competitive intelligence: the information necessary to decide how best to manage in the competitive environment they have identified.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 1 Easy*

*Topic: Environmental Analysis*

76. A narrative that describes a particular set of future conditions for a business is called

- A. Benchmarking.
- B.** A scenario.
- C. Forecasting.
- D. Managerial outcome analysis.
- E. Competitive intelligence.

As managers attempt to determine the effect of environmental forces on their organizations, they frequently develop scenarios of the future. A scenario is a narrative that describes a particular set of future conditions.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 1 Easy*

*Topic: Environmental Analysis*

77. \_\_\_\_\_ create(s) alternative combinations of different factors into a total picture of the environment and the firm.

- A. Scenarios
- B. Forecasting
- C. Benchmarking
- D. Competitive intelligence
- E. Buffering

As managers attempt to determine the effect of environmental forces on their organizations, they frequently develop scenarios of the future. Scenarios create alternative combinations of different factors into a total picture of the environment and the firm.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 1 Easy*

*Topic: Environmental Analysis*

78. Which of the following scenarios would be the most favorable to an existing firm in the industry according to the Porter model of the competitive environment?
- A. Many competitors, few entry barriers, and few customers.
  - B. Many competitors, high threat of entry, many customers.
  - C. Few entry barriers, many substitutes, many customers.
  - D. High industry growth, many barriers to entry, customers have low bargaining power.
  - E. Low industry growth, few barriers to entry, suppliers have low bargaining power.

Porter's model suggests that high industry growth, many barriers to entry, and a situation where customers have low bargaining power is the most favorable of the scenarios listed. See Table 2.2 for other scenarios.

Refer To: Table 2.2

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 3 Hard*

*Topic: Environmental Analysis*

79. The method for predicting how variables will change in the future is called

- A. Budgeting.
- B. Scenario development.
- C. Forecasting.
- D. Benchmarking.
- E. Environmental scanning.

Forecasting is used to predict exactly how some variable or variables will change in the future. For example, in making capital investments, firms may try to forecast how interest rates will change.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 1 Easy*

*Topic: Environmental Analysis*

80. In determining how interest rates will change in the future, a manager would use

- A. Budgeting.
- B. Scenario development.
- C. Forecasting.
- D. Benchmarking.
- E. Environmental scanning.

Forecasting is used to predict exactly how some variable or variables will change in the future. For example, in making capital investments, firms may try to forecast how interest rates will change.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 2 Medium*

*Topic: Environmental Analysis*

81. Which of the following is TRUE about using forecasts?

- A. Multiple forecasts are best, and their predictions can be averaged.
- B. Forecasts become more accurate the further into the future you predict.
- C. Forecasts improve the data used to construct them.
- D. The more complex the forecast, the more carefully the math is designed, and the more accurate the forecast becomes.
- E. Unexpected events require a company to stick to the forecast.

Forecasting is a method for predicting how variables (e.g., interest rates, demand for goods and services) will change in the future. The best answer is to use multiple forecasts and perhaps average their predictions.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 2 Medium*

*Topic: Environmental Analysis*

82. \_\_\_\_\_ means identifying the best-in-class performance by a company in your area and then comparing your processes to theirs.

- A. Scenario planning
- B. Forecasting
- C. Benchmarking
- D. Environmental scanning
- E. Adapting

Benchmarking means identifying the best-in-class performance by a company in a given area, say, product development or customer service, and then comparing your processes to theirs.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 1 Easy*

*Topic: Environmental Analysis*



83. To improve customer service in its overseas call center, Jansen Electronics decided to investigate the call center practices of competing companies. The team discovered that a smaller company, Gorilla Devices Inc., seemed to have outstanding customer service. The team then determined differences between the organizations and developed a plan to incorporate the best elements of Gorilla into Jansen. This illustrates effective

A. Environmental dynamism.

**B.** Benchmarking.

C. Strategic maneuvering.

D. Cooperative action.

E. Forecasting.

Benchmarking means identifying the best-in-class performance by a company in a given area, say, product development or customer service, and then comparing your processes to theirs.

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 3 Hard*

*Topic: Environmental Analysis*

84. Domain selection, diversification, mergers/acquisitions, and divestiture are all examples of

- A. Illegal boundary management.
- B. Maneuvering the competition.
- C. Strategic maneuvering.
- D. Independent strategies.
- E. Portfolio maneuvering.

Strategic maneuvering is an organization's conscious efforts to change the boundaries of its task environment. Examples of strategic maneuvers include domain selection, diversification, merger and acquisition, and divestiture.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 2 Medium*

*Topic: Responding to the Environment*

85. \_\_\_\_\_ occurs when a firm invests in different types of businesses or products or when it expands geographically to reduce its dependence on a single market or technology.

A. Domain selection

**B.** Diversification

C. An acquisition

D. Divestiture

E. A merger

Diversification occurs when a firm invests in different types of businesses or products or when it expands geographically to reduce its dependence on a single market or technology.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 1 Easy*

*Topic: Responding to the Environment*

86. The entrance by a company into another market or industry for which it has an existing expertise is called

- A. A cooperative strategy.
- B. Strategic maneuvering.
- C. A strategic alliance.
- D. Domain selection.
- E. Cooptation.

Domain selection is the entrance by a company with an existing expertise into another suitable market or industry.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 1 Easy*

*Topic: Responding to the Environment*

87. One firm buying another is called a(n)

- A. Merger.
- B.** Acquisition.
- C. Divestiture.
- D. Prospective.
- E. Defender.

An acquisition is one firm buying another.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 1 Easy*

*Topic: Responding to the Environment*

88. Valley Organic Meats recently announced that it was selling off its pork division in order to realign itself more competitively in the marketing of its other products. This is an example of managing the task environment through

- A. Diversification.
- B. Acquisition.
- C. Merger.
- D. Divestiture.
- E. Domain selection.

A divestiture is a firm like Valley Organic selling one or more businesses, such as its pork division.

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 3 Hard*

*Topic: Responding to the Environment*

89. Prospectors are

- A. Companies that continually change the boundaries for their task environments by seeking new products and markets, diversifying and merging, or acquiring new enterprises.
- B. Companies that aggressively monitor and protect the established boundaries of their competitive environment.
- C. Financially sound in unstable industries.
- D. Firms that sell one or more businesses to other firms with aggressive growth goals.
- E. In the mature stage of the product life cycle.

Some companies, called prospectors, are more likely than others to engage in strategic maneuvering. Aggressive companies continuously change the boundaries of their competitive environments by seeking new products and markets, diversifying, and merging or acquiring new enterprises.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 1 Easy*

*Topic: Responding to the Environment*

90. The two types of proactive strategies for influencing an organization's environment include

- A. Dependent strategies and independent strategies.
- B.** Independent action and cooperative action.
- C. Cooperative strategies and strategic maneuvering.
- D. Strategic maneuvering and dependent strategies.
- E. Independent action and strategic maneuvering.

Managers and organizations can develop proactive responses aimed at changing the environment. Two general types of proactive responses are independent action and cooperative action.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 1 Easy*

*Topic: Responding to the Environment*



91. Strategies that an organization acting on its own uses to change some aspect of its current environment are called

- A. Flexible strategies.
- B. Buffering strategies.
- C. Independent strategies.
- D. Smoothing strategies.
- E. Cooperative strategies.

A company uses independent strategies when it acts on its own to change some aspect of its current environment.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 1 Easy*

*Topic: Responding to the Environment*

92. Walmart recently engaged Amazon.com in an online price war in an attempt to become the largest Internet retailer in the world. This is an example of \_\_\_\_\_ on the part of Walmart.

- A. cooptation
- B. voluntary action
- C. competitive pacification
- D. competitive aggression
- E. environmental scanning

Competitive aggression is exploiting a distinctive competence (such as Walmart being the world's largest retailer and offering aggressive pricing) or improving internal efficiency for competitive advantage.

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 3 Hard*

*Topic: Responding to the Environment*

93. When Yaro FroYo spends its own money to promote the frozen yogurt industry as a whole, the company is practicing

- A. Competitive aggression.
- B.** Competitive pacification.
- C. Public relations.
- D. Voluntary cooptation.
- E. Cooperative action.

Competitive pacification is an independent action to improve relations with competitors, such as Yaro's promotion of the frozen yogurt industry as a whole.

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 3 Hard*

*Topic: Responding to the Environment*

94. When Explosive advertises its energy drink product as being superior to the leading energy drink, it is demonstrating

- A. Competitive aggression.
- B. Competitive pacification.
- C. Benchmarking.
- D. Political action.
- E. Cooptation.

Competitive aggression is exploiting a distinctive competence (such as Explosive's better energy drink being compared to the leader in advertising) or improving internal efficiency for competitive advantage.

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 3 Hard*

*Topic: Responding to the Environment*

95. When two or more companies work together to alter their current environment, they are using

- A. Monopolistic strategies.
- B. Strategic maneuvering.
- C. Cooperative strategies.
- D. Dependent strategies.
- E. Codependent strategies.

In some situations, two or more organizations work together using cooperative strategies to influence the environment.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 1 Easy*

*Topic: Responding to the Environment*

96. Quartermaine University has just formed a board of trustees and invited 25 of its wealthiest alumni to join. In this example QU is demonstrating

- A. Contraction.
- B.** Cooptation.
- C. Coalition.
- D. Political action.
- E. Voluntary action.

Cooptation is absorbing new elements into the organization's leadership structure to avert threats to its stability or existence. QU is demonstrating cooptation by inviting wealthy alumni to join its board of trustees.

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 3 Hard*

*Topic: Responding to the Environment*

97. Western Allied Health and Grant Pharmaceuticals have joined forces with one another to lobby against Medicare reform. This action is referred to as

- A. Contraction.
- B.** Coalition.
- C. Cooptation.
- D. Domain selection.
- E. Benchmarking.

A coalition is two or more groups (here Western Allied and Grant) that coalesce and act jointly with respect to some set of issues (Medicare reform) for some period of time.

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 3 Hard*

*Topic: Responding to the Environment*

98. The process of sharing power with employees is called

- A. Empowerment.
- B. Job sharing.
- C. Benchmarking.
- D. Vertical synergy.
- E. Team building.

Empowerment is the process of sharing power with employees, thereby enhancing their confidence in their ability to perform their jobs and their belief that they are influential contributors to the organization.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 1 Easy*

*Topic: Responding to the Environment*



99. Candace recently stepped into a managerial role at her very bureaucratic organization. The industry had been changing dramatically, and Candace suggested that the management team encourage employees to develop more confidence by sharing power with them in order to create a more flexible, adaptable organization. Here Candace is suggesting the use of \_\_\_\_\_ with employees.

- A. smoothing
- B. benchmarking
- C. empowerment
- D. kanban
- E. buffering

Empowerment is the process of sharing power with employees, thereby enhancing their confidence in their ability to perform their jobs and their belief that they are influential contributors to the organization.

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 3 Hard*

*Topic: Responding to the Environment*

100. Creating supplies of excess resources in case of unpredictable needs is called

- A. Just-in-time inventory management.
- B. Smoothing.
- C. Flexible processes.
- D. Kanban.
- E. Buffering.

To help organizations compete, they can create buffers on both the input and output boundaries with the environment. Buffering creates supplies of excess resources to meet unpredictable needs.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 1 Easy*

*Topic: Responding to the Environment*

101. Alyssa owns Carver Gifts, and she is projecting that the economy will rebound this fall. She ordered additional holiday gift merchandise in February in anticipation of the surge in sales that the holiday season usually but not always brings to her retail store. Here Alyssa is using \_\_\_\_\_ to be sure she has enough gifts for those extra holiday customers.

- A. just-in-time inventory management
- B. smoothing
- C. kanban
- D.** buffering
- E. adapting at the core

Buffering is creating supplies of excess resources in case of unpredictable needs. In Alyssa's case, she has accumulated additional inventory to sell during the holiday season because demand is unpredictable.

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 3 Hard*

*Topic: Responding to the Environment*

102. The growth of contingent workers in the U.S. labor force due to unpredictable labor demand is an illustration of

- A. Adapting at the core.
- B. Flexible processes.
- C. Buffering.
- D. Smoothing.
- E. Empowerment.

Buffering creates supplies of excess resources (in this case contingent workers) in case of unpredictable needs (such as unpredictable labor demand).

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 2 Medium*

*Topic: Responding to the Environment*

103. Leveling normal fluctuations at the boundaries of the environment is called

- A. Buffering.
- B. Smoothing.**
- C. Flexible processes.
- D. Empowerment.
- E. Kanban.

Smoothing is leveling normal fluctuations at the boundaries of the environment. For example, during winter months in the north, when automobile sales drop off, it is not uncommon for dealers to cut the price of their in-stock vehicles to increase demand.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 1 Easy*

*Topic: Responding to the Environment*

104. Methods for adapting the technical core to changes in the environment are called

- A. Flexible processes.
- B. Smoothing effects.
- C. Buffering.
- D. Benchmarking.
- E. Environmental scanning.

Flexible processes are methods for adapting the technical core to changes in the environment.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 1 Easy*

*Topic: Responding to the Environment*

105. The National Bicycle Industrial Company (NBIC) of Japan specializes in mass customization. Customers can choose the frame and other parts of the bicycle and it is made to their order. This is one example of how NBIC uses

- A. Kanban.
- B.** Flexible processes.
- C. Smoothing.
- D. Benchmarking.
- E. Environmental scanning.

Flexible processes are methods for adapting the technical core to changes in the environment. Instead of NBIC producing mass quantities of "one-size-fits-all" bicycles, it uses mass customization to produce individually customized products at a cost equal to those produced in mass quantities.

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 3 Hard*

*Topic: Responding to the Environment*

106. The set of important assumptions about the organization and its goals and practices that members of the company share is called

- A. Organization culture.
- B. Organization norms.
- C. Industrial environment.
- D. A closed system.
- E. An open system.

Organization culture is the set of important assumptions about the organization and its goals and practices that members of the company share. It is a system of shared values about what is important and beliefs about how the world works.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-06 Define elements of an organization's culture.*

*Level of Difficulty: 1 Easy*

*Topic: The Internal Environment of Organizations: Culture and Climate*



107. The five-by-eight-inch card with one rule on it, "Use good judgment in all situations," that employees at Nordstrom receive as the employee handbook tells the employees a great deal about their company's

- A. Organizational location.
- B. Business environment.
- C. Organization culture.
- D. Environmental scanning.
- E. Macroenvironment.

The organization culture is the set of important assumptions about the organization and its goals and the practices that members of the company share. The described one-card handbook that Nordstrom uses tells the employees the culture is one of empowerment.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-06 Define elements of an organization's culture.*

*Level of Difficulty: 2 Medium*

*Topic: The Internal Environment of Organizations: Culture and Climate*

108. Which of the following can be a useful clue about an organization's culture?

- A. The way people interact with each other and with customers.
- B. Information printed in the media from sources outside the company.
- C. The macroenvironment.
- D. Environmental scanning.
- E. The industrial environment.

The culture of an organization may be difficult for an observer to define easily, yet it can often be sensed almost immediately. The ways people dress and behave, or the ways they interact with each other and with customers, are clues to the organization culture.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-06 Define elements of an organization's culture.*

*Level of Difficulty: 2 Medium*

*Topic: The Internal Environment of Organizations: Culture and Climate*

109. A(n) \_\_\_\_\_ culture is one in which everyone understands and believes in the firm's goals, priorities, and practices.

- A. informal
- B. formal
- C. strong
- D. weak
- E. influential

Cultures can be strong or weak; strong cultures can have great influence on how people think and behave. A strong culture is one in which everyone understands and believes in the firm's goals, priorities, and practices.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-06 Define elements of an organization's culture.*

*Level of Difficulty: 1 Easy*

*Topic: The Internal Environment of Organizations: Culture and Climate*

110. Which of the following statements about organizational culture is TRUE?

- A. Corporate mission statements are always a true expression of culture.
- B.** Who is hired and fired and why indicate the firm's real value and are a clue to the culture.
- C. A strong culture is a flexible culture so it can adapt quickly to environmental changes.
- D. The competing values model of culture includes the "individual" type of culture.
- E. It is unnecessary to consider culture when considering a merger.

For diagnosing a culture, status symbols can give you a feel for how rigid the hierarchy is and for the nature of relationships between lower and higher levels. Who is hired and fired, and why, and the activities that are rewarded indicate the firm's real values.

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-06 Define elements of an organization's culture.*

*Level of Difficulty: 3 Hard*

*Topic: The Internal Environment of Organizations: Culture and Climate*

111. The two dimensions upon which the competing values model of culture is defined are

- A. Flexibility vs. control AND internal vs. external focus of the organization.
- B. Levels of hierarchy vs. levels of empowerment.
- C. Leadership type vs. levels of hierarchy.
- D. Degree of environmental scanning vs. level of empowerment.
- E. Level of environmental scanning vs. level of environmental influence.

In general, cultures can be categorized according to whether they emphasize flexibility or control and whether their focus is internal or external to the organization. By juxtaposing these two dimensions, we can describe four types of organizational cultures, depicted in Figure 2.6.

Refer To: Figure 2.6

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-06 Define elements of an organization's culture.*

*Level of Difficulty: 1 Easy*

*Topic: The Internal Environment of Organizations: Culture and Climate*

112. If an organization's culture is internally oriented and flexible and tends to be based on the values and norms associated with affiliation, it could best be described as \_\_\_\_\_, according to the competing values model.

- A.** a group culture
- B. a hierarchical culture
- C. a rational culture
- D. an adhocracy
- E. values-oriented

A group culture is internally oriented and flexible, and is based on values and norms associated with affiliation. Compliance flows from trust, tradition, and long-term commitment.

Refer To: Figure 2.6

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-06 Define elements of an organization's culture.*

*Level of Difficulty: 1 Easy*

*Topic: The Internal Environment of Organizations: Culture and Climate*

113. If an organization's culture is externally oriented and focused on control with its primary objectives as productivity, planning, and efficiency, it could best be described as \_\_\_\_\_ type of culture, according to the competing values model.

- A. a group
- B. a hierarchical
- C. a rational
- D. an adhocracy
- E. a values-oriented

The rational culture is externally oriented and focused on control. Its primary objectives are productivity, planning, and efficiency, with members being motivated by rewards.

Refer To: Figure 2.6

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-06 Define elements of an organization's culture.*

*Level of Difficulty: 1 Easy*

*Topic: The Internal Environment of Organizations: Culture and Climate*

114. Which of the following approaches is effective for top management to use to manage the positive corporate culture effectively?
- A. Executives must not give too much attention to the mundane details of daily affairs.
  - B. Executives must allow the organization to develop lofty ideas and visions for the company, and then it is up to others in the organization to follow through on these ideas and visions.
  - C. CEOs and other executives should always make choices that contribute to profit even if this means not quite living up to the company's values.
  - D. Hire and promote employees on the basis of the organization's corporate values.
  - E. All of these are effective to manage the corporate culture.

An organization may be in the midst of a changing environment that requires a culture change. To be effective, executives should hire, socialize, and promote employees on the basis of the organization's values. In this way, the new culture will begin to permeate the organization.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-06 Define elements of an organization's culture.*

*Level of Difficulty: 2 Medium*

*Topic: The Internal Environment of Organizations: Culture and Climate*



115. Attitude and behavior patterns that shape people's experience of an organization are

- A. The professional culture.
- B.** The organization climate.
- C. The industrial environment.
- D. A closed system.
- E. An open system.

Organizational climate consists of the patterns of attitudes and behavior that shape people's experience of an organization.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-06 Define elements of an organization's culture.*

*Level of Difficulty: 2 Medium*

*Topic: The Internal Environment of Organizations: Culture and Climate*

## Scenario A

Connie's Collectibles is a small retail store that specializes in antique jewelry. In analyzing the environment, Connie has uncovered several interesting findings:

1. Connie has recently purchased more inventory than in the past. The customers from whom she buys are selling off more jewelry because their children are not interested in this type of jewelry and these customers would prefer to liquidate their jewelry to help them with their daily expenses since they no longer wear most of it.
2. Connie has recently discovered that her business is in a historical preservation district, so as she considers remodeling the shop, she has found she must pay attention to the guidelines set forth in the governing laws.
3. Connie's buyer-customer base seems to be changing. The tastes of the younger generation near her shop are shifting to modern jewelry, so the customer base to which she sells is shrinking.
4. Connie has been told that she should investigate selling her inventory via the Internet, but she does not own (or understand how to use) a computer.
5. In reading a survey of regional business, Connie discovered that there are no other antique jewelry stores within a 200-mile radius of hers.

116. Given the information in Scenario A, which of the following elements of the macroenvironment was part of Connie's Collectibles findings?

- A. Sustainability.
- B. Psychology.
- C. Corporate governance.
- D. Sociology.
- E. Technology.

The macroenvironment includes legal, political, economic, technological, demographic, and social and natural factors that generally affect all organizations. The only one of these categories mentioned in the question is technology, illustrated by selling on the Internet.

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-01 Describe how environmental forces influence organizations and how organizations can influence their environments.*

*Level of Difficulty: 3 Hard*

*Topic: Management Connection*

117. When Connie read the survey of regional businesses, she was investigating

- A. The competitive environment.
- B. The macroenvironment.
- C. A closed environment.
- D. The internal environment.
- E. The social environment.

The competitive environment is composed of the firm and its rivals, suppliers, customers (buyers), new entrants, and substitute or complementary products.

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-01 Describe how environmental forces influence organizations and how organizations can influence their environments.*

*Level of Difficulty: 3 Hard*

*Topic: Management Connection*

118. Findings about changes in jewelry sellers and in customer tastes are associated with the

- A. Competitive environment as described by Porter.
- B. Macroenvironmental economic trends.
- C. Macroenvironmental political trends.
- D. Amount of rivalry in Connie's competitive environment.
- E. Barriers to entry in Connie's competitive environment.

The competitive environment as described by Porter includes both suppliers (those selling the jewelry) and customers (those buying the jewelry). The competitive environment also includes new entrants, substitutes, and complements, as well as rival firms, as shown in Figure 2.4.

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 3 Hard*

*Topic: The Competitive Environment*

119. Findings about the historical preservation district are most closely associated with which element of the macroenvironment?

- A. Laws and regulations.
- B. The economy.
- C. Demographics.
- D. Technology.
- E. The natural environment.

The macroenvironment is the general environment, including governments, economic conditions, and other fundamental factors. that generally affects all organizations. Laws and regulations are part of the macroenvironment and affect Connie by dictating how she can renovate her shop based on the prevailing rules of the historical preservation district her shop is in.

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-02 Distinguish between the macroenvironment and the competitive environment.*

*Level of Difficulty: 3 Hard*

*Topic: The Macroenvironment*

## Scenario B

You and a fellow investor are investigating the possibility of starting a new casino in Black Hawk, Colorado, a small town in the Rocky Mountains. It has been your lifelong dream. You have won the lottery and are trying to decide if this is what you want to do with your prize money. You decide to do an analysis of the competitive environment. After your analysis, you discover several important issues. First, it will cost most of your lottery winnings to finance a casino in Black Hawk! Second, it will be difficult to attract new customers because they have so many choices available to them in Black Hawk and the surrounding small towns. Finally, the competition in the casino industry is considered fierce by industry analysts. and this is frightening to someone who has never worked in the casino industry.

120. The analysis of the competitive environment that you have conducted utilized the work of

- A. Frederick Taylor.
- B.** Michael Porter.
- C. Abraham Maslow.
- D. Douglas McGregor.
- E. Lillian Gilbreth.

The competitive environment as described by Michael Porter includes suppliers, customers, new entrants, substitutes, and complements, as well as rival firms, as shown in Figure 2.4.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 2 Medium*

*Topic: The Competitive Environment*



121. The information that you have collected in your competitive analysis can be referred to as

- A. Forecasting.
- B.** Competitive intelligence.
- C. Environmental scanning.
- D. Benchmarking.
- E. Scenario development.

Competitive intelligence is the information necessary to decide how best to manage in the competitive environment managers have identified.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 2 Medium*

*Topic: Environmental Analysis*

122. The existence of savvy customers in an industry is an indication of

- A. High bargaining power of suppliers.
- B. Low bargaining power of suppliers.
- C. High bargaining power of customers.
- D. Low bargaining power of customers.
- E. Low threat of new entry.

Customers with knowledge about the industry have power to play competitors against one another. For example, a powerful customer will have information about the odds of winning at the casinos and will likely play most at the casino with the highest odds.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 2 Medium*

*Topic: The Competitive Environment*

123. The fact that it will require such a large capital investment to start a new casino is an example of which of the following factors?

- A. High bargaining power of customers.
- B.** Low threat of new entrants.
- C. High threat of new entrants.
- D. Many substitute products.
- E. Low bargaining power of customers.

The high cost of entering the casino industry forms a barrier to entry that diminishes the threat of new entrants.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 2 Medium*

*Topic: The Competitive Environment*

## Scenario C

Smash Marketing is a consulting firm located in the Midwest. Mr. William "Bill" Smash started the firm as a young man in the early 1950s. The firm has grown; but with growth, it has never forgotten the vision of Mr. Smash: to be creative in all the firm does while delighting the client. Each year the Smash Award for Advertising Creativity is given to the employee who most exemplifies Mr. Smash's vision. New employees are told of the organization's greatest accomplishments and are taken on a tour of the "Wall of Memories" where pictures of the company taken over the years are hung. One is even included to remind everyone of the disastrous fire that the company not only survived, but also built upon to strengthen the sense of teamwork clearly evident throughout the firm. In fact, there is a long tradition of employee participation in decision making, and all employees consider themselves to be part of the "Smash Family."

124. The photo of the fire is an example of a(n)

- A. Story.
- B. Value.
- C. Legend.
- D. Symbol.
- E. Rite.

The photo is a symbol of the values of the company, including the teamwork that is part of the company culture to this day.

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-07 Discuss how an organization's culture and climate affect its response to its external environment.*

*Level of Difficulty: 3 Hard*

*Topic: The Internal Environment of Organizations: Culture and Climate*

125. When new employees are told of the organization's great accomplishments and history, it is an example of a(n)

A. Mission statement.

B. Official goal.

C. Story.

D. Ceremony.

E. Rite.

The stories people tell carry a lot of information about the company's culture.

The great accomplishments and explanations of the "Wall of Memories" are the Smash stories.

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-07 Discuss how an organization's culture and climate affect its response to its external environment.*

*Level of Difficulty: 3 Hard*

*Topic: The Internal Environment of Organizations: Culture and Climate*

126. The culture at Smash Marketing can best be described as a(n)

- A. Group culture.
- B. Hierarchical culture.
- C. Rational culture.
- D. Adhocracy.
- E. Team culture.

A group culture has a dominant attribute of participation, teamwork, and a sense of family, all of which are mentioned in the scenario.

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-07 Discuss how an organization's culture and climate affect its response to its external environment.*

*Level of Difficulty: 3 Hard*

*Topic: The Internal Environment of Organizations: Culture and Climate*

127. Based on the information in the above scenario, which of the following outcomes would you most expect if business dropped off dramatically for Smash Marketing?

- A. Mr. Smash would lay off most of his workforce.
- B. Mr. Smash would sell the company and move to Hawaii.
- C. The members of the company would go on strike.
- D. Mr. Smash would charge more for the consulting services so that he can make ends meet.
- E. The members of the entire company would agree that they should each cut their hours by 15 percent so that no one is laid off.

In a group culture like the one at Smash Marketing, there are loyalty, tradition, and interpersonal cohesion. Under these conditions, along with commitment and morale that are the strategic emphasis of a group culture, the members of the company would most likely agree to cut their hours so that no one is laid off.

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-07 Discuss how an organization's culture and climate affect its response to its external environment.*

*Level of Difficulty: 3 Hard*

*Topic: The Internal Environment of Organizations: Culture and Climate*



## Scenario D

Margarita works for a small company, which processes and cans tomatoes and other vegetables. She reports to the CFO. It is her job to predict the costs of raw materials for the next five years. She uses various research sources, including the news, to learn who the competition is and what they have been doing. In fact she subscribes to an analyst e-newsletter that tells her about crop availability and weather conditions all around the globe. Every month she develops a spreadsheet for her boss indicating the likely costs of vegetables given the type of weather conditions expected in each area of the world and thus the availability of particular crops. She is also involved in a team that is investigating how to cut canning costs. They have recently met with Good Cans, a company that manufactures and cans tennis balls. Good Cans is considered the top company in the canning industry, especially in canning process knowledge, and Margarita's team is comparing their processes to those of Good Cans to see how they might improve.

128. When predicting the costs for her company, Margarita is engaging in

- A. Forecasting.
- B. Competitive intelligence.
- C. Environmental scanning.
- D. Benchmarking.
- E. Scenario development.

Forecasting is a method for predicting how variables will change the future. In this scenario, Margarita is trying to determine costs in the future.

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 3 Hard*

*Topic: Environmental Analysis*

129. The research Margarita is using is called

- A. Forecasting.
- B.** Competitive intelligence.
- C. Environmental scanning.
- D. Benchmarking.
- E. Scenario development.

Competitive intelligence is information that helps managers determine how to compete better. In this scenario, Margarita is collecting information about crops so she can find the best value for the company.

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 3 Hard*

*Topic: Environmental Analysis*

130. The spreadsheet that Margarita uses gives her a chance to examine different projections, which is a form of

- A. Forecasting.
- B. Competitive intelligence.
- C. Environmental scanning.
- D. Benchmarking.
- E. Scenario development.

Scenario development creates alternative combinations of different factors (such as the weather and harvest of various crops) into a total picture of the environment and the firm.

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 3 Hard*

*Topic: Environmental Analysis*

131. Margarita and her team are using \_\_\_\_\_ when they learn from Good Cans about its canning process.

- A. forecasting
- B. competitive intelligence
- C. environmental scanning
- D. benchmarking
- E. scenario development

Benchmarking means identifying the best-in-class performance by a company (Good Cans) in a given area (canning) and then comparing your processes to theirs. Margarita is comparing her company's process of canning to that of Good Cans.

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 3 Hard*

*Topic: Environmental Analysis*

## Essay Questions

132. List the five elements of a firm's macroenvironment and illustrate how each affects the firm.

Answers will vary.

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.*

*Level of Difficulty: 3 Hard*

*Topic: The Macroenvironment*

133. Discuss how immigration patterns influence the management of the U.S. labor force.

Answers will vary.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.*

*Level of Difficulty: 2 Medium*

*Topic: The Macroenvironment*

134. Provide an example and explanation of the natural environment's effect on the management of a specific organization.

Answers will vary.

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.*

*Level of Difficulty: 3 Hard*

*Topic: The Macroenvironment*

135. Describe the five forces in Porter's model for competitive analysis.

Answers will vary.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 2 Medium*

*Topic: The Competitive Environment*

136. List actions and attitudes that result in excellent customer service. Illustrate each from your own experiences as either a customer or a service provider.

Answers will vary.

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 3 Hard*

*Topic: The Competitive Environment*

137. As environmental uncertainty increases, managers must develop techniques and methods for collecting, sorting through, and interpreting information about the environment. Discuss four of these methods, explaining when and why each would be used.

Answers will vary.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 2 Medium*

*Topic: Environmental Analysis*



138. Differentiate between unattractive and attractive competitive environments, using Porter's model of the competitive environment, and give an example for each situation.

Answers will vary.

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 3 Hard*

*Topic: Environmental Analysis*

139. To respond to their environment, managers and companies have a number of options, which can be grouped into three categories. Describe each category.

Answers will vary.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 2 Medium*

*Topic: Responding to the Environment*

140. Summarize the different approaches to strategic maneuvering that organizations can take to change the environment they are in.

Answers will vary.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 2 Medium*

*Topic: Responding to the Environment*

141. Discuss three independent strategies that a firm may use as a proactive response to its environment.

Answers will vary.

Feedback: Refer To: Table 2.3

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 2 Medium*

*Topic: Responding to the Environment*

142. Contrast bureaucratic organizations with organic ones. In which environments is each most successful?

Answers will vary.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 2 Medium*

*Topic: Responding to the Environment*

143. Discuss the clues utilized to diagnose a culture.

Answers will vary.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-07 Discuss how an organization's culture and climate affect its response to its external environment.*

*Level of Difficulty: 2 Medium*

*Topic: The Internal Environment of Organizations: Culture and Climate*

144. Describe the culture of an organization that you have either worked in or studied. Which of the four types of organizational culture described in the chapter does the organization illustrate? Justify your answer.

Answers will vary.

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-07 Discuss how an organization's culture and climate affect its response to its external environment.*

*Level of Difficulty: 3 Hard*

*Topic: The Internal Environment of Organizations: Culture and Climate*