

Chapter 02

The External Environment and Organizational Culture

True / False Questions

1. The external environment includes all relevant forces outside the organization's boundaries.
True False

2. Equipment is an example of an input to an organization.
True False

3. Organizations are open systems that affect and are affected by their external environments.
True False

4. A firm's competitive environment is composed of the firm, its competitors, suppliers and distributors.
True False

5. All organizations operate in a macroenvironment.
True False

6. U. S. government policies both impose strategic constraints and provide opportunities for organizations.
True False

7. Regulatory agencies set rules but do not have the power to investigate company practices nor take legal action to ensure compliance with the law.
True False

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

True False

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

True False

10. Firms that develop strategies that don't include technological advances will realize obsolescence and extinction.

True False

11. Psychographics 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 US civilian labor force is the group between 30 and 40 years old.

True False

13. One reason that the labor force will not be more ethnically diverse than it is today is due to the immigration situation.

True False

14. In the future the labor force will be even more homogenous than it is today.

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 result of the re-entrance of older workers into 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. Dasani bottled water is a competitor to Pepsi.

True False

19. The first question in understanding competitive environments is, "Who 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. A substitute for a company's offering is a potential opportunity.

True False

22. Insurance for a car is a complementary product/service for the car.

True False

23. Powerful suppliers can increase an organization's profits, especially if the organization cannot pass on price increases to its customers.

True False

24. A switching cost is a fixed cost a buyer faces when changing suppliers.

True False

25. A value chain 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. Customer service means giving customers what they want, the way they want it, the first time.

True False

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

True False

28. Competitive intelligence is the information necessary to decide how best to manage in the competitive environment.

True False

29. Benchmarking represents alternative combinations of different factors into a total picture of the environment and the firm.

True False

30. Melissa, a retail manager, encourages her employees to solve customers' problems without her approval of the particular situation. In this example Melissa has empowered her employees.

True False

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

True False

32. Southwest Airlines demonstrates competitive pacification as an independent strategy by cutting fares when it enters a new market.

True False

33. Defenders are more likely to engage in strategic maneuvering than prospectors.

True False

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

True False

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

True False

Multiple Choice Questions

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

A. inputs.

B. outputs.

C. open systems.

D. closed systems.

E. social systems.

37. Amy Jane, a new manager at Delectable Baked goods, has been asked to focus on the competitive environment of the organization. Which of these factors is among those that Amy Jane should focus on?

- A. Government policies
- B. Demographics
- C. Suppliers
- D. Technology
- E. Social factors

38. Using international bribery as a business tactic is illegal 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

39. Robert was recently hired as the workplace safety compliance officer at Diligent Drilling Company. Robert will have the responsibility to monitor regulations from which of these government agencies?

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

40. 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.

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

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

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

43. 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. technology.
- D. the economy.
- E. politics.

44. Advances in genetic engineering and biotechnology are expected to produce some food products that will become available year-round even in northern climates. These changes will provide grocers with an opportunity to reduce their shipping costs while at the same time, offering fresher produce to their 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.

45. Managers with ready access to information

- A. increase costs.
- B. gain a significant competitive edge.
- C. lose power.
- D. decrease their span of control.
- E. always increase sales.

46. 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.

47. 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. Entry-level 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.

48. _____ 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

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

- A. Substitutes and complements
- B. New suppliers
- C. New customers
- D. Regulatory forces
- E. SBU strategy

50. 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 which the focal organization relies upon to provide supplies and materials.
- C. those people who comprise the workers of the organization that complete the organization's activities.
- D. those organizations that hold the firm accountable to their stakeholders.
- E. those broader influences that affect a firm's competitive advantage.

51. 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. microenvironment.
- C. Porter model for competitive analysis.
- D. industrial microenvironment.
- E. Peters model for organizational excellence.

52. 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 price provided by the airline was 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. Competitors
- C. Regulators
- D. The economy
- E. The political environment of the time

53. Wal-Mart recently engaged Amazon.com in a price war, offering best-selling books for first \$10, then \$9, and now Target Stores 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. The political environment of the time

54. Which of the following is a competitor which 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 Price Club
- D. Companies entering new markets
- E. All of the above are potential competitors.

55. Conditions which may prevent new firms from entering an industry (i.e., the use of patents) are referred to as

- A. barriers to entry.
- B. roadblocks.
- C. unfair trade practices.
- D. insider trading.
- E. trade protectionism.

56. Hospitals and universities are very expensive to run due not only 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.

57. The highest barrier to entry of the following items is

- A. brand identification.
- B. competitor experience.
- C. pricing practices.
- D. the economy.
- E. technology.

58. 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. diminished supply.
- D. technology.
- E. complements.

59. When microwave ovens were originally introduced, they posed a potential threat to the producers of conventional ovens. Over several decades, the effect of microwaves on the sales of conventional ovens has been minimal; in fact, most homes today utilize both appliances. Also, technology has not advanced much in this area 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.

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

- A. polyester for cotton
- B. ink cartridges for printers
- C. mops for detergent
- D. iTunes for iPod
- E. furniture for apartments

61. 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.

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

- A. changing costs.
- B. switching costs.
- C. supplier costs.
- D. retailer costs.
- E. sunk costs.

63. ABC Bank utilizes the janitorial services of Bob's Scrub-A-Dub-Dub to keep their buildings clean. Bob's provides all the necessary cleaning supplies, training of crews, background security checks (since the crews work after hours) and all other associated expenses. The other available janitorial services do not typically provide security checks and a client such as a bank would have to hire guards to watch the work of the janitors. This expense effectively limits the bank to utilizing only Bob's services. This illustrates the concept of

- A. high employment costs.
- B. unfavorable supplier status.
- C. high switching costs.
- D. favorable quality status.
- E. complementary products.

64. 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. supply chain management.
- E. customer service.

65. A customer who purchases raw materials or wholesale products before selling them is called a(n)

- A. final customer.
- B. middle customer.
- C. intermediate consumer.
- D. first tier supplier.
- E. preliminary customer.

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

- A. the final consumer usually pays cash for the purchase whereas the intermediate customer uses a credit card.
- B. an intermediate consumer will utilize the purchase in order to sell their product/service to final consumers whereas a final customer use the product him/herself.
- C. final consumers purchase more (in dollar value) than do intermediate consumers.
- D. intermediate consumers are usually more flexible than final consumers.
- E. final consumers have more bargaining power than intermediate customers.

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

- A. OSHA
- B. Neiman Marcus
- C. An individual
- D. IBM
- E. All of the above would be considered a consumer.

68. Sam's Siding traditionally provides sub-contracting services to construction firms. There are many firms like Sam's in the marketplace and Sam's does about 85% of their work for Bill's Building. Bill typically negotiates quite heavily with his prospective customers, which ultimately reduces Sam'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.

69. 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. premier service.
- E. operations management.

70. Environmental uncertainty results from

- A. complexity
- B. simplicity.
- C. cooperation.
- D. simple issues.
- E. an incrementally changing environment.

71. _____ refers to the degree of discontinuous change that occurs within the industry.

- A. Environmental complexity
- B. Environmental disfunction
- C. Environmental contracting
- D. Cooptation
- E. Environmental dynamism

72. Managers at Molly's Closet, a clothing retailer, engage in an annual organizational assessment as part of an attempt to predict changes as well as possible opportunities and threats. They look at issues such as who their competitors are, how many entry barriers there are in the industry and what substitutes exist for their products. This assessment is called

- A. scenario development.
- B. forecasting.
- C. benchmarking.
- D. environmental scanning.
- E. SWOT analysis.

73. 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 counter-plans
74. A narrative that describes a particular set of future conditions is called
- A. benchmarking.
 - B. a scenario.
 - C. forecasting.
 - D. managerial outcomes analysis.
 - E. competitive intelligence.
75. _____ 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
76. 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.

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

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

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

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

79. The best advice for using forecasts is

- A. use multiple forecasts and perhaps average their predictions.
- 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 accurate it is.
- E. Unexpected events are all the more reason to stick to the forecast.

80. _____ 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

81. In an attempt to improve upon customer service, Terrapin Toys decided to assign a team to investigate what kinds of services competing companies offered. The team discovered that a smaller company, Gorilla Games, Inc., seemed to have outstanding customer service. The team then determined the major differences between the two companies and developed a plan to incorporate the best elements of Gorilla Games, Inc into Terrapin Toys. This illustrates effective

- A. environmental dynamism.
- B. benchmarking.
- C. strategic maneuvering.
- D. cooperative action.
- E. forecasting.

82. The process of sharing power with employees is called

- A. empowerment.
- B. job sharing.
- C. benchmarking.
- D. vertical synergy.
- E. team building.

83. Jay recently was promoted to a management position in a firm that had been extremely bureaucratic. However, the environment changed dramatically and the new management team knew it needed to change the organization quickly if it was to survive. Jay suggested that the management team allow the employees to develop more confidence in their ability to do a good job by sharing power with them. The others on the team were skeptical, but they allowed Jay to experiment. In this situation Jay is suggesting using _____ to increase employee confidence in their ability to do the job.

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

84. 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.

85. Carol owns a small gift shop on the East Coast. She is hoping the economy rebounds this fall as she had to order her Christmas and other holiday gifts in February to be sure she has enough inventory for the surge in sales that the holiday season usually but not always brings to her retail store. In this example, Carol is using _____ to be sure she has enough gifts for those extra holiday customers that she hopes will brave the economic woes and shop for gifts.

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

86. 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.

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

- A. buffering.
- B. smoothing.
- C. flexible processes.
- D. empowerment
- E. kanban.

88. 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.

89. 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.

90. Wal-Mart 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 Wal-Mart.

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

91. When Yancy's Yogurt Company acts on its own to promote the yogurt industry as a whole, the company is practicing

- A. competitive aggression.
- B. competitive pacification.
- C. public relations.
- D. voluntary cooptation.
- E. cooperative action.

92. When Sudsy Company advertises its soap products as better than Bubble Company's soap products, Sudsy Co. is demonstrating

- A. competitive aggression.
- B. competitive pacification.
- C. benchmarking.
- D. political action.
- E. cooptation.

93. 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.

94. 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.

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. 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.

97. Higher Place University has just formed a board of trustees and invited 25 of its wealthiest alumni to join. In this example HPU is demonstrating

- A. contraction.
- B. cooptation.
- C. coalition.
- D. political action.
- E. voluntary action.

98. PharmaCo and Allbest Meds have joined forces with one another to lobby against health care reform. This action is referred to as

- A. contraction.
- B. coalition.
- C. cooptation.
- D. domain selection.
- E. benchmarking.

99. 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.

100. 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.
- E. in the mature stage of the product life cycle.

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

- A. merger.
- B. acquisition.
- C. divestiture.
- D. prospective.
- E. defender.

102. It was recently announced that Animal Organics 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.

103. 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.

104. 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.

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

- A. The way people within the organization dress and behave
- B. Information printed in the media from sources outside the company
- C. The macroenvironment
- D. Environmental scanning
- E. The industrial environment

106. 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

107. 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 corporate culture.
- C. A strong culture is an inconsistent culture so it can adapt quickly to environmental changes.
- D. The competing-values model of culture includes the "individual" type of culture as a category.
- E. It is unimportant to diagnose organizational cultures when two organizations are considering a merger.

108. If an organization's culture is internally oriented, flexible and tends to be based on the values and norms associated with affiliation, it could best be described as a _____ type of culture.

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

109. 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 a _____ type of culture.

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

110. 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.

111. 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, not the executives.
- 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 the above are effective for top management to use to manage the corporate culture effectively.

Short Answer Questions

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

113. Immigration patterns influence the management of the U.S. labor force. Discuss.

114. Provide an example and explanation of a social trend's effect upon the management of a specific organization.

115. Describe the five forces in Porter's Model for competitive analysis.

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

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

118. 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.

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

120. Summarize the four different approaches that organizations can take in adapting to environmental uncertainty.

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

122. Differentiate between the following four strategic maneuvers: domain selection, diversification, merger and acquisition, and divestiture.

123. Discuss the clues utilized to diagnose a culture.

124. 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.

Multiple Choice Questions

Scenario A. Connie's Collectibles is a small antique jewelry 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.

125. 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 laws
- D. Sociology
- E. Technology

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

- A. the competitive environment.
- B. the macroenvironment.
- C. a closed environment.
- D. their internal environment.
- E. the social environment.

127. Findings 1 and 3 are both 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.

128. Finding 2 is 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 even worked in the casino industry.

129. 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.

130. 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.

131. 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.

132. 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 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, they have never forgotten the vision of Mr. Smash—to be creative in all they do 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 consider themselves to be part of the "Smash Family."

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

- A. story.
- B. value.
- C. legend.
- D. symbol.
- E. rite.

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

- A. mission statement.
- B. official goal.
- C. story.
- D. ceremony.
- E. rite.

135. 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.

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

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 around canning process knowledge and Margarita's team is comparing their processes to those of Good Cans to see how they might improve.

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

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

138. The research Margarita is using is called

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

139. The spreadsheet that Margarita uses gives her a chance to use

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

140. 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

Chapter 02 The External Environment and Organizational Culture **Answer Key**

True / False Questions

1. (p. 48) The external environment includes all relevant forces outside the organization's boundaries.

TRUE

AACSB: Analytic

Bloom's: Knowledge

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

Level of Difficulty: Easy

Topic: Management Close-Up

2. (p. 48) Equipment is an example of an input to an organization.

TRUE

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.

AACSB: Analytic

Bloom's: Comprehension

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

Level of Difficulty: Medium

Topic: Management Close-Up

3. (p. 48) Organizations are open systems that affect and are affected by their external environments.

TRUE

An open system is affected by and affects its environment. Organizations are open systems because, for example they take inputs such as goods or services from the environment and convert them into outputs to the environment.

AACSB: Analytic

Bloom's: Comprehension

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

Level of Difficulty: Medium

Topic: Management Close-Up

4. (p. 48) A firm's competitive environment is composed of the firm, its competitors, suppliers and distributors.

TRUE

AACSB: Analytic

Bloom's: Knowledge

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

Level of Difficulty: Easy

Topic: Management Close-Up

5. (p. 48) All organizations operate in a macroenvironment.

TRUE

The macroenvironment is the general environment; including governments, economic conditions, and other fundamental factors that generally affect all organizations.

AACSB: Analytic

Bloom's: Comprehension

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

Level of Difficulty: Medium

Topic: The Macroenvironment

6. (p. 49) U. S. government policies both impose strategic constraints and provide opportunities for organizations.

TRUE

The government can affect business opportunities through tax laws, economic policies, and international trade rulings.

AACSB: Analytic

Bloom's: Comprehension

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

Level of Difficulty: Medium

Topic: The Macroenvironment

7. (p. 50) Regulatory agencies set rules but do not have the power to investigate company practices nor 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

Bloom's: Comprehension

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

Level of Difficulty: Medium

Topic: The Macroenvironment

8. (p. 50) 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

Bloom's: Comprehension

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

Level of Difficulty: Medium

Topic: The Macroenvironment

9. (p. 51) While the stock market can impact a firm, it has no effect on the behavior of individual managers.

FALSE

The stock market may also 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

Bloom's: Comprehension

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

Level of Difficulty: Medium

Topic: The Macroenvironment

10. (p. 52) Firms that develop strategies that don't 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.

AACSB: Analytic

Bloom's: Comprehension

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

Level of Difficulty: Medium

Topic: The Macroenvironment

Chapter 02 - The External Environment and Organizational Culture

11. (p. 53) Psychographics are measures of various characteristics of the people who make up groups or other social units.

FALSE

AACSB: Analytic

Bloom's: Knowledge

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

Level of Difficulty: Easy

Topic: The Macroenvironment

12. (p. 53) The fastest-growing age group in the US civilian labor force is the group between 30 and 40 years old.

FALSE

The fastest-growing age group will be workers who are 55 and older, who are expected to represent more than one-fifth of the labor force in 2014.

AACSB: Analytic

Bloom's: Comprehension

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

Level of Difficulty: Medium

Topic: The Macroenvironment

13. (p. 53) One reason that the labor force will not be more ethnically diverse than it is today is due to the immigration situation.

FALSE

Immigrants are frequently of working age but have different educational and occupational backgrounds from the rest of the labor force. Immigration is one reason the labor force in the future will be more ethnically diverse than it is today.

AACSB: Analytic

Bloom's: Comprehension

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

Level of Difficulty: Medium

Topic: The Macroenvironment

14. (p. 53) In the future the labor force will be even more homogenous than it is today.

FALSE

Immigrants are frequently of working age but have different educational and occupational backgrounds from the rest of the labor force. Immigration is one reason the labor force in the future will be more ethnically diverse than it is today.

AACSB: Analytic

Bloom's: Comprehension

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

Level of Difficulty: Medium

Topic: The Macroenvironment

15. (p. 54) 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

Bloom's: Comprehension

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

Level of Difficulty: Medium

Topic: The Macroenvironment

16. (p. 54) Family leave, flexible working hours and child care assistance have been introduced as a result of the re-entrance of older workers into 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

Bloom's: Comprehension

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

Level of Difficulty: Medium

Topic: The Macroenvironment

17. (p. 55) 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

AACSB: Analytic

Bloom's: Knowledge

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

Level of Difficulty: Easy

Topic: The Competitive Environment

18. (p. 55) Dasani bottled water is a competitor to Pepsi.

TRUE

Coca-Cola and PepsiCo are obvious competitors, but consumer tastes have shifted away from soda to bottled water and other beverages. Thus water is now a competitor to colas.

AACSB: Analytic

Bloom's: Application

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

Level of Difficulty: Hard

Topic: The Competitive Environment

19. (p. 55) The first question in understanding competitive environments is, "Who is the competition?"

TRUE

AACSB: Analytic

Bloom's: Knowledge

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

Level of Difficulty: Easy

Topic: The Competitive Environment

20. (p. 57) A barrier to entry is a condition that prevents customers from using a firm's products or services.

FALSE

AACSB: Analytic

Bloom's: Knowledge

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

Level of Difficulty: Easy

Topic: The Competitive Environment

21. (p. 57) A substitute for a company's offering is a potential opportunity.

FALSE

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

Bloom's: Comprehension

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

Level of Difficulty: Medium

Topic: The Competitive Environment

22. (p. 59) Insurance for a car is a complementary product/service for the car.

TRUE

A complementary product for a car is car insurance, since the buyer will need insurance to drive the car.

AACSB: Analytic

Bloom's: Comprehension

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

Level of Difficulty: Medium

Topic: The Competitive Environment

23. (p. 60) Powerful suppliers can increase an organization's profits, especially if the organization cannot pass on price increases to its customers.

FALSE

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

AACSB: Analytic

Bloom's: Comprehension

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

Level of Difficulty: Medium

Topic: The Competitive Environment

24. (p. 61) A switching cost is a fixed cost a buyer faces when changing suppliers.

TRUE

AACSB: Analytic

Bloom's: Knowledge

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

Level of Difficulty: Easy

Topic: The Competitive Environment

25. (p. 61) A value chain 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

AACSB: Analytic

Bloom's: Knowledge

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

Level of Difficulty: Easy

Topic: The Competitive Environment

26. (p. 63) Customer service means giving customers what they want, the way they want it, the first time.

TRUE

AACSB: Analytic

Bloom's: Knowledge

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

Level of Difficulty: Easy

Topic: The Competitive Environment

27. (p. 64) Environmental scanning means sorting through information available to the public to interpret what is important and what is not.

FALSE

AACSB: Analytic

Bloom's: Knowledge

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

Level of Difficulty: Easy

Topic: Environmental Analysis

28. (p. 64) Competitive intelligence is the information necessary to decide how best to manage in the competitive environment.

TRUE

AACSB: Analytic

Bloom's: Knowledge

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

Level of Difficulty: Easy

Topic: Environmental Analysis

29. (p. 65) Benchmarking represents alternative combinations of different factors into a total picture of the environment and the firm.

FALSE

AACSB: Analytic

Bloom's: Knowledge

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

Level of Difficulty: Easy

Topic: Environmental Analysis

30. (p. 66) Melissa, a retail manager, encourages her employees to solve customers' problems without her approval of the particular situation. In this example Melissa 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—what Melissa did in the example.

AACSB: Analytic

Bloom's: Application

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

Level of Difficulty: Hard

Topic: Responding to the Environment

31. (p. 67) In a dynamic environment, bureaucratic organizations are more efficient than organic organizations.

FALSE

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 when products, technologies, customers, or competitors are changing over time.

AACSB: Analytic

Bloom's: Application

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

Level of Difficulty: Hard

Topic: Responding to the Environment

32. (p. 68) Southwest Airlines demonstrates competitive pacification as an independent strategy 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.

AACSB: Analytic

Bloom's: Comprehension

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

Level of Difficulty: Medium

Topic: Responding to the Environment

33. (p. 71) Defenders are more likely to engage in strategic maneuvering than prospectors.

FALSE

AACSB: Analytic

Bloom's: Knowledge

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

Level of Difficulty: Easy

Topic: Responding to the Environment

Chapter 02 - The External Environment and Organizational Culture

34. (p. 72) A strong organization culture is one in which everyone understands and believes in the firm's goals, priorities and practices.

TRUE

AACSB: Analytic

Bloom's: Knowledge

Learning Objective: 02-07 Discuss how an organization's culture affects its response to its external environment.

Level of Difficulty: Easy

Topic: Culture and the Internal Environment of Organizations

35. (p. 74) 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

Bloom's: Comprehension

Learning Objective: 02-07 Discuss how an organization's culture affects its response to its external environment.

Level of Difficulty: Medium

Topic: Culture and the Internal Environment of Organizations

Multiple Choice Questions

36. (p. 48) Organizations that are affected by and that affect their environment are called

A. inputs.

B. outputs.

C. open systems.

D. closed systems.

E. social systems.

AACSB: Analytic

Bloom's: Knowledge

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

Level of Difficulty: Easy

Topic: Management Close-Up

37. (p. 48) Amy Jane, a new manager at Delectable Baked goods, has been asked to focus on the competitive environment of the organization. Which of these factors is among those that Amy Jane should focus on?

- A. Government policies
- B. Demographics
- C. Suppliers**
- D. Technology
- E. Social factors

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

AACSB: Analytic

Bloom's: Application

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

Level of Difficulty: Hard

Topic: Management Close-Up

38. (p. 49) Using international bribery as a business tactic is illegal 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—it is considered illegal.

AACSB: Analytic

Bloom's: Comprehension

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

Level of Difficulty: Medium

Topic: The Macroenvironment

39. (p. 50) Robert was recently hired as the workplace safety compliance officer at Diligent Drilling Company. Robert 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 Robert as a workplace safety compliance officer would have to be familiar with OSHA regulations.

AACSB: Analytic

Bloom's: Application

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

Level of Difficulty: Hard

Topic: The Macroenvironment

40. (p. 50) 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

Bloom's: Comprehension

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

Level of Difficulty: Medium

Topic: The Macroenvironment

41. (p. 50) 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. Changes in the economy are impossible to quantify.
- C.** There are complex interconnections among the economies of different countries.
- 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

Bloom's: Comprehension

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

Level of Difficulty: Medium

Topic: The Economy

42. (p. 50) Interest rates, inflation, the federal deficit, and unemployment levels are all elements in which aspect of the macroenvironment?

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

AACSB: Analytic

Bloom's: Comprehension

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

Level of Difficulty: Easy

Topic: The Economy

43. (p. 52) 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. technology.**
- D. the economy.
- E. politics.

AACSB: Analytic

Bloom's: Knowledge

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

Level of Difficulty: Easy

Topic: The Economy

44. (p. 52) Advances in genetic engineering and biotechnology are expected to produce some food products that will become available year-round even in northern climates. These changes will provide grocers with an opportunity to reduce their shipping costs while at the same time, offering fresher produce to their 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

Bloom's: Application

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

Level of Difficulty: Hard

Topic: The Economy

45. (p. 52) Managers with ready access to information

- A. increase costs.
- B. gain a significant competitive edge.**
- C. lose power.
- 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

Bloom's: Comprehension

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

Level of Difficulty: Medium

Topic: The Economy

46. (p. 53) 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.

AACSB: Analytic

Bloom's: Knowledge

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

Level of Difficulty: Easy

Topic: The Economy

47. (p. 53) 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. Entry-level 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, though the effect is lagged and depends on the number of people coming of age in any given year.

AACSB: Analytic

Bloom's: Comprehension

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

Level of Difficulty: Medium

Topic: The Economy

48. (p. 54) _____ 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

Changes in social trends such as when and if women choose to have children result in, for example, companies introducing more supportive policies such as family leave, flexible working hours, and child care assistance.

AACSB: Analytic

Bloom's: Comprehension

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

Level of Difficulty: Medium

Topic: The Economy

49. (p. 55, Figure 2.4) Which of the following is an element of Michael Porter's model for analyzing the competitive environment?

- A.** Substitutes and complements
- B. New suppliers
- C. New customers
- D. Regulatory forces
- E. SBU strategy

AACSB: Analytic

Bloom's: Knowledge

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

Level of Difficulty: Easy

Topic: The Competitive Environment

50. (p. 55, Figure 2.4) 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 which the focal organization relies upon to provide supplies and materials.
- C. those people who comprise the workers of the organization that complete the organization's activities.
- D. those organizations that hold the firm accountable to their stakeholders.
- E. those broader influences that affect a firm's competitive advantage.

AACSB: Analytic

Bloom's: Knowledge

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

Level of Difficulty: Easy

Topic: The Competitive Environment

51. (p. 55) 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. microenvironment.
 - C. Porter model for competitive analysis.**
 - D. industrial microenvironment.
 - E. Peters model for organizational excellence.

AACSB: Analytic
Bloom's: Knowledge
Learning Objective: 02-04 Identify elements of the competitive environment.
Level of Difficulty: Easy
Topic: The Competitive Environment

52. (p. 55) A low-cost airline described as one of the excellent companies in the bestseller of the early 1980s, *InSearch of Excellence* is no longer in business. Industry analysts state that although the service and price provided by the airline was 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. Competitors**
 - C. Regulators
 - D. The economy
 - E. The political environment of the time

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

AACSB: Analytic
Bloom's: Application
Learning Objective: 02-04 Identify elements of the competitive environment.
Level of Difficulty: Hard
Topic: The Competitive Environment

53. (p. 55) Wal-Mart recently engaged Amazon.com in a price war, offering best-selling books for first \$10, then \$9, and now Target Stores 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. The political environment of the time

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

AACSB: Analytic
Bloom's: Application
Learning Objective: 02-04 Identify elements of the competitive environment.
Level of Difficulty: Hard
Topic: The Competitive Environment

54. (p. 55) Which of the following is a competitor which 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 Price Club**
- D. Companies entering new markets
- E. All of the above are potential competitors.

A major competitor to Target Stores is wholesale clubs. The other choices in the question are not rival firms, so they are not competitors.

AACSB: Analytic
Bloom's: Comprehension
Learning Objective: 02-04 Identify elements of the competitive environment.
Level of Difficulty: Medium
Topic: The Competitive Environment

55. (p. 57) Conditions which may prevent new firms from entering an industry (i.e., the use of patents) are referred to as

- A. barriers to entry.
- B. roadblocks.
- C. unfair trade practices.
- D. insider trading.
- E. trade protectionism.

AACSB: Analytic

Bloom's: Knowledge

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

Level of Difficulty: Easy

Topic: The Competitive Environment

56. (p. 57) Hospitals and universities are very expensive to run due not only 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

Bloom's: Application

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

Level of Difficulty: Hard

Topic: The Competitive Environment

57. (p. 57) The highest barrier to entry of the following items is

- A.** brand identification.
- B. competitor experience.
- 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.

AACSB: Analytic

Bloom's: Comprehension

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

Level of Difficulty: Medium

Topic: The Competitive Environment

58. (p. 57) 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. diminished supply.
- D. technology.
- E. complements.

AACSB: Analytic

Bloom's: Knowledge

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

Level of Difficulty: Easy

Topic: The Competitive Environment

59. (p. 57) When microwave ovens were originally introduced, they posed a potential threat to the producers of conventional ovens. Over several decades, the effect of microwaves on the sales of conventional ovens has been minimal; in fact, most homes today utilize both appliances. Also, technology has not advanced much in this area 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
Bloom's: Application
Learning Objective: 02-04 Identify elements of the competitive environment.
Level of Difficulty: Hard
Topic: The Competitive Environment

60. (p. 59, Table 2.1) Which of the following is an example of a potential substitute product?

- A.** polyester for cotton
- B. ink cartridges for printers
- C. mops for detergent
- D. iTunes for iPod
- E. furniture for apartments

Only the first choice is a substitute. The remaining choices are examples of complements.

AACSB: Analytic
Bloom's: Comprehension
Learning Objective: 02-04 Identify elements of the competitive environment.
Level of Difficulty: Medium
Topic: The Competitive Environment

61. (p. 60) 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.

AACSB: Analytic

Bloom's: Knowledge

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

Level of Difficulty: Easy

Topic: The Competitive Environment

62. (p. 61) Fixed costs buyers face if they change suppliers are called

- A. changing costs.
- B. switching costs.**
- C. supplier costs.
- D. retailer costs.
- E. sunk costs.

AACSB: Analytic

Bloom's: Knowledge

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

Level of Difficulty: Easy

Topic: The Competitive Environment

63. (p. 61) ABC Bank utilizes the janitorial services of Bob's Scrub-A-Dub-Dub to keep their buildings clean. Bob's provides all the necessary cleaning supplies, training of crews, background security checks (since the crews work after hours) and all other associated expenses. The other available janitorial services do not typically provide security checks and a client such as a bank would have to hire guards to watch the work of the janitors. This expense effectively limits the bank to utilizing only Bob's services. This illustrates the concept of

- A. high employment costs.
- B. unfavorable supplier status.
- C.** high switching costs.
- D. favorable quality status.
- E. complementary products.

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 Bob's Scrub-A-Dub-Dub to another cleaning service.

AACSB: Analytic
Bloom's: Application
Learning Objective: 02-04 Identify elements of the competitive environment.
Level of Difficulty: Hard
Topic: The Competitive Environment

64. (p. 61) 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.** supply chain management.
- E. customer service.

AACSB: Analytic
Bloom's: Knowledge
Learning Objective: 02-04 Identify elements of the competitive environment.
Level of Difficulty: Easy
Topic: The Competitive Environment

65. (p. 62) A customer who purchases raw materials or wholesale products before selling them is called a(n)

- A. final customer.
- B. middle customer.
- C. intermediate consumer.**
- D. first tier supplier.
- E. preliminary customer.

AACSB: Analytic

Bloom's: Knowledge

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

Level of Difficulty: Easy

Topic: The Competitive Environment

66. (p. 62) The main difference between a final consumer and an intermediate consumer is

- A. the final consumer usually pays cash for the purchase whereas the intermediate customer uses a credit card.
- B. an intermediate consumer will utilize the purchase in order to sell their product/service to final consumers whereas a final customer use the product him/herself.**
- C. final consumers purchase more (in dollar value) than do intermediate consumers.
- D. intermediate consumers are usually more flexible than final consumers.
- E. final consumers have more bargaining power than intermediate customers.

Intermediate consumers buy raw materials or wholesale products and then sell to final consumers.

AACSB: Analytic

Bloom's: Comprehension

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

Level of Difficulty: Medium

Topic: The Competitive Environment

67. (p. 62) Which of the following would be considered a consumer?

- A. OSHA
- B. Neiman Marcus
- C. An individual
- D. IBM
- E. All of the above would be considered a consumer.**

A customer purchases the goods or services an organization offers. All of the above are customers, though 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
Bloom's: Comprehension
Learning Objective: 02-04 Identify elements of the competitive environment.
Level of Difficulty: Medium
Topic: The Competitive Environment

68. (p. 63) Sam's Siding traditionally provides sub-contracting services to construction firms. There are many firms like Sam's in the marketplace and Sam's does about 85% of their work for Bill's Building. Bill typically negotiates quite heavily with his prospective customers, which ultimately reduces Sam'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 Sam's Siding is at a disadvantage if it depends too heavily on powerful customers like Bill. Bill is powerful because he makes large purchases from Sam's and because Sam's is evidently replaceable with one of the other firms in the business. Since Bill is the largest customer of Sam's and can likely buy from others, he has power over Sam's.

AACSB: Analytic
Bloom's: Application
Learning Objective: 02-04 Identify elements of the competitive environment.
Level of Difficulty: Hard
Topic: The Competitive Environment

69. (p. 63) 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. premier service.
- E. operations management.

AACSB: Analytic

Bloom's: Knowledge

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

Level of Difficulty: Easy

Topic: The Competitive Environment

70. (p. 63) Environmental uncertainty results from

- A. complexity**
- B. simplicity.
- C. cooperation.
- D. simple issues.
- E. a 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

Bloom's: Comprehension

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

Level of Difficulty: Medium

Topic: Environmental Analysis

71. (p. 63) _____ refers to the degree of discontinuous change that occurs within the industry.

- A. Environmental complexity
- B. Environmental disfunction
- C. Environmental contracting
- D. Cooptation
- E.** Environmental dynamism

AACSB: Analytic

Bloom's: Knowledge

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

Level of Difficulty: Easy

Topic: Environmental Analysis

72. (p. 64) Managers at Molly's Closet, a clothing retailer, engage in an annual organizational assessment as part of an attempt to predict changes as well as possible opportunities and threats. They look at issues such as who their competitors are, how many entry barriers there are in the industry 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 "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

Bloom's: Comprehension

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

Level of Difficulty: Medium

Topic: Environmental Analysis

73. (p. 64) 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 counter-plans

AACSB: Analytic

Bloom's: Knowledge

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

Level of Difficulty: Easy

Topic: Environmental Analysis

74. (p. 64-65) A narrative that describes a particular set of future conditions is called

- A. benchmarking.
- B. a scenario.**
- C. forecasting.
- D. managerial outcomes analysis.
- E. competitive intelligence.

AACSB: Analytic

Bloom's: Knowledge

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

Level of Difficulty: Easy

Topic: Environmental Analysis

75. (p. 64-65) _____ 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

AACSB: Analytic

Bloom's: Knowledge

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

Level of Difficulty: Easy

Topic: Environmental Analysis

76. (p. 64) 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.

AACSB: Analytic

Bloom's: Application

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

Level of Difficulty: Hard

Topic: Environmental Analysis

77. (p. 65) The method for predicting how variables will change the future is called

- A. budgeting.
- B. scenario development.
- C.** forecasting.
- D. benchmarking.
- E. environmental scanning.

AACSB: Analytic

Bloom's: Knowledge

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

Level of Difficulty: Easy

Topic: Environmental Analysis

78. (p. 65) In determining how interest rates will change the future, a manager would use

- A. budgeting.
- B. scenario development.
- C. forecasting.**
- D. benchmarking.
- E. environmental scanning.

Forecasting is a method for predicting how variables (e.g. interest rates, demand for goods and services) will change the future.

AACSB: Analytic

Bloom's: Comprehension

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

Level of Difficulty: Medium

Topic: Environmental Analysis

79. (p. 65) The best advice for using forecasts is

- A. use multiple forecasts and perhaps average their predictions.**
- 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 accurate it is.
- E. Unexpected events are all the more reason to stick to the forecast.

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

AACSB: Analytic

Bloom's: Comprehension

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

Level of Difficulty: Medium

Topic: Environmental Analysis

80. (p. 65) _____ 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

AACSB: Analytic

Bloom's: Knowledge

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

Level of Difficulty: Easy

Topic: Environmental Analysis

81. (p. 65) In an attempt to improve upon customer service, Terrapin Toys decided to assign a team to investigate what kinds of services competing companies offered. The team discovered that a smaller company, Gorilla Games, Inc., seemed to have outstanding customer service. The team then determined the major differences between the two companies and developed a plan to incorporate the best elements of Gorilla Games, Inc into Terrapin Toys. This illustrates effective

- A. environmental dynamism.
- B. benchmarking.**
- C. strategic maneuvering.
- D. cooperative action.
- E. forecasting.

Benchmarking is the process of comparing an organization's (Terrapin Toys) practices and technologies (customer service) with those of other companies (Gorilla Games, Inc.).

AACSB: Analytic

Bloom's: Application

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

Level of Difficulty: Hard

Topic: Environmental Analysis

82. (p. 66) The process of sharing power with employees is called
- A. empowerment.
 - B. job sharing.
 - C. benchmarking.
 - D. vertical synergy.
 - E. team building.

AACSB: Analytic

Bloom's: Knowledge

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

Level of Difficulty: Easy

Topic: Responding to the Environment

83. (p. 66) Jay recently was promoted to a management position in a firm that had been extremely bureaucratic. However, the environment changed dramatically and the new management team knew it needed to change the organization quickly if it was to survive. Jay suggested that the management team allow the employees to develop more confidence in their ability to do a good job by sharing power with them. The others on the team were skeptical, but they allowed Jay to experiment. In this situation Jay is suggesting using _____ to increase employee confidence in their ability to do the job.
- 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. Jay was advocating using empowerment.

AACSB: Analytic

Bloom's: Application

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

Level of Difficulty: Hard

Topic: Responding to the Environment

84. (p. 67) 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.**

AACSB: Analytic

Bloom's: Knowledge

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

Level of Difficulty: Easy

Topic: Responding to the Environment

85. (p. 66) Carol owns a small gift shop on the East Coast. She is hoping the economy rebounds this fall as she had to order her Christmas and other holiday gifts in February to be sure she has enough inventory for the surge in sales that the holiday season usually but not always brings to her retail store. In this example, Carol is using _____ to be sure she has enough gifts for those extra holiday customers that she hopes will brave the economic woes and shop for gifts.
- 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 Carol's case, she has accumulated additional inventory to sell during the holiday season because demand is unpredictable.

AACSB: Analytic

Bloom's: Application

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

Level of Difficulty: Hard

Topic: Responding to the Environment

86. (p. 67) 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

Bloom's: Comprehension

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

Level of Difficulty: Medium

Topic: Responding to the Environment

87. (p. 67) Leveling normal fluctuations at the boundaries of the environment is called

- A. buffering.
- B. smoothing.**
- C. flexible processes.
- D. empowerment
- E. kanban.

AACSB: Analytic

Bloom's: Knowledge

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

Level of Difficulty: Easy

Topic: Responding to the Environment

88. (p. 67) 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.

AACSB: Analytic

Bloom's: Knowledge

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

Level of Difficulty: Easy

Topic: Responding to the Environment

89. (p. 67) 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, they use mass customization to produce individually customized products at an equal cost to those produced in mass quantities.

AACSB: Analytic

Bloom's: Application

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

Level of Difficulty: Hard

Topic: Responding to the Environment

90. (p. 68) Wal-Mart 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 Wal-Mart.

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

Competitive aggression is exploiting a distinctive competence (such as Wal-Mart being the world's largest retailer) or improving internal efficiency for competitive advantage.

AACSB: Analytic

Bloom's: Application

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

Level of Difficulty: Hard

Topic: Responding to the Environment

91. (p. 68) When Yancy's Yogurt Company acts on its own to promote the 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 Yancy's Yogurt Company promoting the yogurt industry as a whole.

AACSB: Analytic

Bloom's: Application

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

Level of Difficulty: Hard

Topic: Responding to the Environment

92. (p. 68) When Sudsy Company advertises its soap products as better than Bubble Company's soap products, Sudsy Co. is demonstrating

- A. competitive aggression.**
- B. competitive pacification.
- C. benchmarking.
- D. political action.
- E. cooptation.

Competitive aggression is exploiting a distinctive competence (such as Sudsy Company's better soap as compared to Bubble Company in comparative advertising) or improving internal efficiency for competitive advantage.

AACSB: Analytic

Bloom's: Application

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

Level of Difficulty: Hard

Topic: Responding to the Environment

93. (p. 68) 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.

AACSB: Analytic

Bloom's: Knowledge

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

Level of Difficulty: Easy

Topic: Responding to the Environment

94. (p. 68) 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.

AACSB: Analytic

Bloom's: Knowledge

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

Level of Difficulty: Easy

Topic: Responding to the Environment

95. (p. 68) 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.

AACSB: Analytic

Bloom's: Knowledge

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

Level of Difficulty: Easy

Topic: Responding to the Environment

96. (p. 70) 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

Bloom's: Comprehension

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

Level of Difficulty: Medium

Topic: Responding to the Environment

97. (p. 69) Higher Place University has just formed a board of trustees and invited 25 of its wealthiest alumni to join. In this example HPU 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. HPU is demonstrating cooptation by inviting wealthy alumni to join its board of trustees.

AACSB: Analytic

Bloom's: Application

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

Level of Difficulty: Hard

Topic: Responding to the Environment

98. (p. 69) PharmaCo and Allbest Meds have joined forces with one another to lobby against health care reform. This action is referred to as

- A. contraction.
- B. coalition.**
- C. cooptation.
- D. domain selection.
- E. benchmarking.

Coalition is two or more groups (PharaCo and Allbest Meds) that coalesce and act jointly with respect to some set of issues (health care reform) for some period of time.

AACSB: Analytic

Bloom's: Application

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

Level of Difficulty: Hard

Topic: Responding to the Environment

99. (p. 70) 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.

AACSB: Analytic

Bloom's: Knowledge

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

Level of Difficulty: Easy

Topic: Responding to the Environment

100. (p. 70) 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.
- E. in the mature stage of the product life cycle.

AACSB: Analytic

Bloom's: Knowledge

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

Level of Difficulty: Easy

Topic: Responding to the Environment

101. (p. 70) One firm buying another is called a(n)

- A. merger.
- B.** acquisition.
- C. divestiture.
- D. prospective.
- E. defender.

AACSB: Analytic

Bloom's: Knowledge

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

Level of Difficulty: Easy

Topic: Responding to the Environment

102. (p. 70) It was recently announced that Animal Organics 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 such as Animal Organics selling one or more businesses such as its pork division.

AACSB: Analytic

Bloom's: Application

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

Level of Difficulty: Hard

Topic: Responding to the Environment

103. (p. 72) 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.

AACSB: Analytic

Bloom's: Knowledge

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

Level of Difficulty: Easy

Topic: Culture and the Internal Environment of Organizations

104. (p. 72) 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 practices members of the company share. The described one-card handbook that Nordstrom uses tells the employees the culture is one of empowerment.

AACSB: Analytic
Bloom's: Comprehension
Learning Objective: 02-06 Define elements of an organization's culture.
Level of Difficulty: Medium
Topic: Culture and the Internal Environment of Organizations

105. (p. 72) Which of the following can be a useful clue about an organization's culture?

- A. The way people within the organization dress and behave**
- 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 way people dress and behave is one example of a clue to the organization culture.

AACSB: Analytic
Bloom's: Comprehension
Learning Objective: 02-06 Define elements of an organization's culture.
Level of Difficulty: Medium
Topic: Culture and the Internal Environment of Organizations

Chapter 02 - The External Environment and Organizational Culture

106. (p. 72) 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

AACSB: Analytic

Bloom's: Knowledge

Learning Objective: 02-07 Discuss how an organization's culture affects its response to its external environment.

Level of Difficulty: Easy

Topic: Culture and the Internal Environment of Organizations

107. (p. 74) 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 corporate culture.**
- C. A strong culture is an inconsistent culture so it can adapt quickly to environmental changes.
- D. The competing-values model of culture includes the "individual" type of culture as a category.
- E. It is unimportant to diagnose organizational cultures when two organizations are considering a merger.

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

Bloom's: Application

Learning Objective: 02-07 Discuss how an organization's culture affects its response to its external environment.

Level of Difficulty: Hard

Topic: Culture and the Internal Environment of Organizations

Chapter 02 - The External Environment and Organizational Culture

108. (p. 75, Figure 2.6) If an organization's culture is internally oriented, flexible and tends to be based on the values and norms associated with affiliation, it could best be described as a _____ type of culture.

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

AACSB: Analytic

Bloom's: Knowledge

Learning Objective: 02-07 Discuss how an organization's culture affects its response to its external environment.

Level of Difficulty: Easy

Topic: Culture and the Internal Environment of Organizations

109. (p. 75; Figure 2.6) 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 a _____ type of culture.

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

AACSB: Analytic

Bloom's: Knowledge

Learning Objective: 02-07 Discuss how an organization's culture affects its response to its external environment.

Level of Difficulty: Easy

Topic: Culture and the Internal Environment of Organizations

110. (p. 75) 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.

AACSB: Analytic

Bloom's: Knowledge

Learning Objective: 02-07 Discuss how an organization's culture affects its response to its external environment.

Level of Difficulty: Easy

Topic: Culture and the Internal Environment of Organizations

111. (p. 76-77) 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, not the executives.
- 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 the above are effective for top management to use to manage the corporate culture effectively.

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

AACSB: Analytic

Bloom's: Comprehension

Learning Objective: 02-07 Discuss how an organization's culture affects its response to its external environment.

Level of Difficulty: Medium

Topic: Culture and the Internal Environment of Organizations

Chapter 02 - The External Environment and Organizational Culture

Short Answer Questions

112. (p. 49-55) List the five elements of a firm's macroenvironment and illustrate how each affects the firm.

Answer will vary.

AACSB: Analytic

Bloom's: Application

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

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

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

Level of Difficulty: Hard

Topic: The Macroenvironment; The Competitive Environment

113. (p. 53) Immigration patterns influence the management of the U.S. labor force. Discuss.

Answer will vary.

AACSB: Analytic

Bloom's: Comprehension

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

Level of Difficulty: Medium

Topic: The Macroenvironment

114. (p. 54) Provide an example and explanation of a social trend's effect upon the management of a specific organization.

Answer will vary.

AACSB: Analytic

Bloom's: Analysis

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

Level of Difficulty: Hard

Topic: The Macroenvironment

Chapter 02 - The External Environment and Organizational Culture

115. (p. 55) Describe the five forces in Porter's Model for competitive analysis.

Answer will vary.

AACSB: Analytic
Bloom's: Comprehension
Learning Objective: 02-04 Identify elements of the competitive environment.
Level of Difficulty: Medium
Topic: The Competitive Environment

116. (p. 63) List actions and attitudes that mean excellent customer service. Illustrate each from your own experiences as either a customer or a service provider.

Answer will vary.

AACSB: Analytic
Bloom's: Application
Learning Objective: 02-04 Identify elements of the competitive environment.
Level of Difficulty: Hard
Topic: The Competitive Environment

117. (p. 64) Differentiate between unattractive and attractive competitive environments, using Porter's Model of the competitive environment and give an example for each situation.

Answer will vary.

AACSB: Analytic
Bloom's: Application
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
Level of Difficulty: Hard
Topic: Environmental Analysis

Chapter 02 - The External Environment and Organizational Culture

118. (p. 64-65) 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.

Answer will vary.

AACSB: Analytic

Bloom's: Comprehension

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

Level of Difficulty: Medium

Topic: Environmental Analysis

119. (p. 66-71) To respond to their environment, managers and companies have a number of options, which can be grouped into three categories. Describe each category.

Answer will vary.

AACSB: Analytic

Bloom's: Comprehension

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

Level of Difficulty: Medium

Topic: Responding to the Environment

120. (p. 67; Table 2.3) Summarize the four different approaches that organizations can take in adapting to environmental uncertainty.

Answer will vary.

AACSB: Analytic

Bloom's: Comprehension

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

Level of Difficulty: Medium

Topic: Responding to the Environment

Chapter 02 - The External Environment and Organizational Culture

121. (p. 68; Table 2.4) Discuss three independent strategies that a firm may use as a proactive response to its environment.

Answer will vary.

AACSB: Analytic

Bloom's: Comprehension

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

Level of Difficulty: Medium

Topic: Responding to the Environment

122. (p. 70) Differentiate between the following four strategic maneuvers: domain selection, diversification, merger and acquisition, and divestiture.

Answer will vary.

AACSB: Analytic

Bloom's: Comprehension

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

Level of Difficulty: Medium

Topic: Responding to the Environment

123. (p. 73-74) Discuss the clues utilized to diagnose a culture.

Answer will vary.

AACSB: Analytic

Bloom's: Comprehension

Learning Objective: 02-07 Discuss how an organization's culture affects its response to its external environment.

Level of Difficulty: Medium

Topic: Culture and the Internal Environment of Organizations

124. (p. 75-76) 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.

Answer will vary.

AACSB: Analytic

Bloom's: Application

Learning Objective: 02-07 Discuss how an organization's culture affects its response to its external environment.

Level of Difficulty: Hard

Topic: Culture and the Internal Environment of Organizations

Multiple Choice Questions

Scenario A. Connie's Collectibles is a small antique jewelry 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.

125. (p. 48) 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 laws
- 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, which is illustrated through finding 4 in the scenario.

AACSB: Analytic

Bloom's: Application

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

Level of Difficulty: Hard

Topic: Management Close-Up

126. (p. 48) When Connie read the survey of regional businesses, she was investigating

- A. the competitive environment.**
- B. the macroenvironment.
- C. a closed environment.
- D. their 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

Bloom's: Application

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

Level of Difficulty: Hard

Topic: Management Close-Up

127. (p. 55) Findings 1 and 3 are both 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
Bloom's: Application
Learning Objective: 02-04 Identify elements of the competitive environment.
Level of Difficulty: Hard
Topic: The Competitive Environment

128. (p. 55) Finding 2 is 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 affect 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
Bloom's: Application
Learning Objective: 02-02 Distinguish between the macroenvironment and the competitive environment.
Level of Difficulty: 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 even worked in the casino industry.

129. (p. 55) 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 Porter includes both suppliers, and customers, new entrants, substitutes and complements, as well as rival firms as shown in Figure 2.4.

AACSB: Analytic
Bloom's: Comprehension
Learning Objective: 02-04 Identify elements of the competitive environment.
Level of Difficulty: Medium
Topic: The Competitive Environment

130. (p. 64) 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

Bloom's: Comprehension

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

Level of Difficulty: Medium

Topic: Environmental Analysis

131. (p. 62-63) 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

Bloom's: Comprehension

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

Level of Difficulty: Medium

Topic: The Competitive Environment

132. (p. 57) 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 such that the threat of new entrants is less serious.

AACSB: Analytic

Bloom's: Comprehension

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

Level of Difficulty: Medium

Topic: The Competitive Environment

Scenario C. Smash Marketing is 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, they have never forgotten the vision of Mr. Smash—to be creative in all they do 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 consider themselves to be part of the "Smash Family."

133. (p. 74) 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

Bloom's: Application

Learning Objective: 02-07 Discuss how an organization's culture affects its response to its external environment.

Level of Difficulty: Hard

Topic: Culture and the Internal Environment of Organizations

134. (p. 74) When new employees are told of the organization's great accomplishments and history, it is an example of (an)

- 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

Bloom's: Application

Learning Objective: 02-07 Discuss how an organization's culture affects its response to its external environment.

Level of Difficulty: Hard

Topic: Culture and the Internal Environment of Organizations

135. (p. 75) 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

Bloom's: Application

Learning Objective: 02-07 Discuss how an organization's culture affects its response to its external environment.

Level of Difficulty: Hard

Topic: Culture and the Internal Environment of Organizations

136. (p. 75) 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.** The members of the entire company would agree that they should each cut their hours by 15% so that no one is laid off.
- C. Mr. Smash would sell the company and move to Hawaii.
- D. The members of the company would go on strike.
- E. Mr. Smash would charge more for the consulting services so that he can make ends meet.

In a group culture like Smash Marketing, there is 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

Bloom's: Application

Learning Objective: 02-07 Discuss how an organization's culture affects its response to its external environment.

Level of Difficulty: Hard

Topic: Culture and the Internal Environment of Organizations

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 around canning process knowledge and Margarita's team is comparing their processes to those of Good Cans to see how they might improve.

137. (p. 65) 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

Bloom's: Application

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

Level of Difficulty: Hard

Topic: Environmental Analysis

138. (p. 64) 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 do her best to find the best value for the company.

AACSB: Analytic

Bloom's: Application

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

Level of Difficulty: Hard

Topic: Environmental Analysis

139. (p. 64-65) The spreadsheet that Margarita uses gives her a chance to use

- 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

Bloom's: Application

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

Level of Difficulty: Hard

Topic: Environmental Analysis

Chapter 02 - The External Environment and Organizational Culture

140. (p. 65) 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

Bloom's: Application

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

Level of Difficulty: Hard

Topic: Environmental Analysis