

Strategic Management and Business Policy, 15e, Global Edition (Wheelen et al.)
Chapter 1 Basic Concepts in Strategic Management

- 1) The emphasis of strategic management is on
- A) long-term performance.
 - B) first line managers.
 - C) the short-run performance of the corporation.
 - D) an examination of the organization's internal environment.
 - E) an investigation of competitor actions.

Answer: A

Difficulty: Easy

Learning Obj.: 1.1: Discuss the benefits of strategic management

AACSB: Application of knowledge

- 2) Research suggests that strategic management evolves through four sequential phases in corporations. The first phase is
- A) externally oriented planning.
 - B) basic financial planning.
 - C) internally oriented planning.
 - D) forecast-based planning.
 - E) strategic management.

Answer: B

Difficulty: Easy

Learning Obj.: 1.1: Discuss the benefits of strategic management

AACSB: Application of knowledge

- 3) The time horizon involved with regard to basic financial planning is usually
- A) one year.
 - B) one quarter.
 - C) three to five years.
 - D) less than one month.
 - E) five to ten years.

Answer: A

Difficulty: Easy

Learning Obj.: 1.1: Discuss the benefits of strategic management

AACSB: Application of knowledge

- 4) A difference between basic financial planning and forecast-based planning is
- A) the time horizon is shorter in forecast-based planning.
 - B) forecast-based planning incorporates environmental data and extrapolates current trends.
 - C) basic financial planning utilizes consultants with sophisticated techniques.
 - D) basic financial planning utilizes scenarios and contingency strategies.
 - E) basic financial planning relies heavily on input from lower levels in the organization.

Answer: B

Difficulty: Moderate

Learning Obj.: 1.1: Discuss the benefits of strategic management

AACSB: Analytical thinking

5) Top-down planning that emphasizes formal strategy formulation and leaves the implementation issues to lower management levels is known as

- A) forecast-based planning.
- B) externally oriented planning.
- C) strategic management.
- D) basic financial planning.
- E) none of the above

Answer: B

Difficulty: Moderate

Learning Obj.: 1.1: Discuss the benefits of strategic management

AACSB: Application of knowledge

6) In the final phase of strategic management, strategic information is available to

- A) people throughout the organization.
- B) the top management responsible for decision-making.
- C) middle management.
- D) operational personnel.
- E) only those responsible for implementing the strategy.

Answer: A

Difficulty: Moderate

Learning Obj.: 1.1: Discuss the benefits of strategic management

AACSB: Application of knowledge

7) In a survey of 50 corporations, which of the following was rated as one of the three top benefits of strategic management?

- A) clearer sense of strategic vision for the firm
- B) higher levels of employee motivation
- C) higher levels of job satisfaction
- D) improved productivity
- E) lower employee turnover

Answer: A

Difficulty: Moderate

Learning Obj.: 1.1: Discuss the benefits of strategic management

AACSB: Application of knowledge

8) When an organization is evaluating its strategic position, which is *not* one of the strategic questions that an organization generally may ask itself?

- A) Where is the organization now?
- B) Are we on target to hit our financial objectives next year?
- C) If no changes are made, where will the organization be in one year?
- D) If the evaluation is negative, what specific actions should management take?
- E) If no changes are made, where will the organization be in 10 years?

Answer: B

Difficulty: Moderate

Learning Obj.: 1.1: Discuss the benefits of strategic management

AACSB: Analytical thinking

9) Research of the planning practices of companies in the oil industry concludes that the real value of modern strategic planning is more in the _____ that is part of a future-oriented planning process than in any resulting written strategic plan.

- A) planning
- B) strategic thinking and organizational learning
- C) resulting written strategic plan
- D) formality of the process
- E) improved communication within the organization

Answer: B

Difficulty: Difficult

Learning Obj.: 1.1: Discuss the benefits of strategic management

AACSB: Application of knowledge

10) Strategic planning within a small organization

- A) may be informal and irregular.
- B) must be elaborate to allow for future growth.
- C) should always be formalized and explicitly stated.
- D) should be done by the president only.
- E) is unnecessary and a waste of time.

Answer: A

Difficulty: Moderate

Learning Obj.: 1.1: Discuss the benefits of strategic management

AACSB: Application of knowledge

11) Strategic planning in a multidivisional corporation

- A) should be informal to allow complete understanding by the many participants.
- B) should be instigated only from the main corporate office.
- C) should be accomplished quickly to decrease the likelihood of it becoming outdated.
- D) should encourage a clear delineation between top management and lower-level managers.
- E) should be a formalized and sophisticated system.

Answer: E

Difficulty: Moderate

Learning Obj.: 1.1: Discuss the benefits of strategic management

AACSB: Application of knowledge

12) Strategic management is the set of managerial decisions that determines the short-term performance of a corporation.

Answer: FALSE

Difficulty: Easy

Learning Obj.: 1.1: Discuss the benefits of strategic management

AACSB: Application of knowledge

13) In the externally oriented planning phase, plans are developed by heavily involving the input of managers from lower levels.

Answer: FALSE

Difficulty: Moderate

Learning Obj.: 1.1: Discuss the benefits of strategic management

AACSB: Application of knowledge

14) General Electric led the transition from strategic planning to strategic management during the 1980s.

Answer: TRUE

Difficulty: Easy

Learning Obj.: 1.1: Discuss the benefits of strategic management

AACSB: Application of knowledge

15) One of the benefits of strategic management is a clearer sense of strategic vision for the firm.

Answer: TRUE

Difficulty: Moderate

Learning Obj.: 1.1: Discuss the benefits of strategic management

AACSB: Analytical thinking

16) To be effective, strategic management must be a formal process.

Answer: FALSE

Difficulty: Difficult

Learning Obj.: 1.1: Discuss the benefits of strategic management

AACSB: Analytical thinking

17) What are the benefits of strategic management?

Answer: The three most highly rated benefits of strategic management are:

1. Clearer sense of strategic vision for the organization
2. Sharper focus on what is strategically important
3. Improved understanding of a rapidly changing environment

Difficulty: Moderate

Learning Obj.: 1.1: Discuss the benefits of strategic management

AACSB: Application of knowledge

18) The integrated internationalization of markets and corporations is called

- A) normalization.
- B) economic integration.
- C) globalization.
- D) nationalization.
- E) regionalization.

Answer: C

Difficulty: Easy

Learning Obj.: 1.2: Explain how globalization, innovation, and environmental sustainability influence strategic management

AACSB: Application of knowledge

19) The term used to describe new products, services, methods, and organizational approaches that allow businesses to achieve extraordinary returns is

- A) ROI.
- B) innovation.
- C) competitive advantage.
- D) sustainability.
- E) profit maximization.

Answer: B

Difficulty: Moderate

Learning Obj.: 1.2: Explain how globalization, innovation, and environmental sustainability influence strategic management

AACSB: Application of knowledge

20) The free trade area composed of Argentina, Brazil, Uruguay, Venezuela, and Paraguay is called

- A) EU.
- B) ASEAN.
- C) NAFTA.
- D) Mercosur.
- E) ABUP.

Answer: D

Difficulty: Moderate

Learning Obj.: 1.2: Explain how globalization, innovation, and environmental sustainability influence strategic management

AACSB: Application of knowledge

21) Members of the European Union (EU) include all of the following EXCEPT

- A) Ireland.
- B) Great Britain.
- C) Belgium.
- D) France.
- E) Slovakia.

Answer: B

Difficulty: Easy

Learning Obj.: 1.2: Explain how globalization, innovation, and environmental sustainability influence strategic management

AACSB: Application of knowledge

22) Canada, the United States, and Mexico are affiliated economically under which trade alliance?

- A) ASEAN
- B) Mercosur
- C) EU
- D) NAFTA
- E) CAFTA

Answer: D

Difficulty: Easy

Learning Obj.: 1.2: Explain how globalization, innovation, and environmental sustainability influence strategic management

AACSB: Application of knowledge

23) The currency used to integrate the monetary systems of the European Union (EU) is called the

- A) peso.
- B) dollar.
- C) euro.
- D) franc.
- E) pound.

Answer: C

Difficulty: Easy

Learning Obj.: 1.2: Explain how globalization, innovation, and environmental sustainability influence strategic management

AACSB: Application of knowledge

24) The triple bottom line refers to which of the following?

- A) water, air, and oil
- B) footprints, finance, and environment
- C) physical environment, traditional profit/loss, and air
- D) traditional profit/loss, social responsibility, and environmental responsibility
- E) social responsibility, people, and ethics

Answer: D

Difficulty: Difficult

Learning Obj.: 1.2: Explain how globalization, innovation, and environmental sustainability influence strategic management

AACSB: Application of knowledge

25) One of the benefits of globalization is

- A) economies of scale.
- B) decreased outsourcing.
- C) increased union negotiations.
- D) increased taxes.
- E) additional human resource training.

Answer: A

Difficulty: Moderate

Learning Obj.: 1.2: Explain how globalization, innovation, and environmental sustainability influence strategic management

26) Knowing a company is mindful of its impact on the environment seldom changes consumer buying habits.

Answer: FALSE

Difficulty: Moderate

Learning Obj.: 1.2: Explain how globalization, innovation, and environmental sustainability influence strategic management

27) Globalization is the integrated internationalization of markets and corporations.

Answer: TRUE

Difficulty: Easy

Learning Obj.: 1.2: Explain how globalization, innovation, and environmental sustainability influence strategic management

AACSB: Application of knowledge

28) As more industries become global, strategic management is becoming less important in positioning a company for long-term competitive advantage.

Answer: FALSE

Difficulty: Moderate

Learning Obj.: 1.2: Explain how globalization, innovation, and environmental sustainability influence strategic management

AACSB: Analytical thinking

29) Business sustainability reflects business practices to manage the firm's triple bottom line.

Answer: TRUE

Difficulty: Moderate

Learning Obj.: 1.2: Explain how globalization, innovation, and environmental sustainability influence strategic management

AACSB: Application of knowledge

30) One member of the European Union (EU) is Chile.

Answer: FALSE

Difficulty: Moderate

Learning Obj.: 1.2: Explain how globalization, innovation, and environmental sustainability influence strategic management

AACSB: Application of knowledge

31) The goal of NAFTA is complete economic integration among Canada, the United States, and Mexico.

Answer: FALSE

Difficulty: Moderate

Learning Obj.: 1.2: Explain how globalization, innovation, and environmental sustainability influence strategic management

AACSB: Application of knowledge

32) Climate change has become a growing concern for businesses to include in their corporate strategies.

Answer: TRUE

Difficulty: Moderate

Learning Obj.: 1.2: Explain how globalization, innovation, and environmental sustainability influence strategic management

AACSB: Application of knowledge

33) Boston Consulting Group (BCG) found that innovation is a top 3 priority for three-quarters of the companies in the 2014 BCG global innovation survey.

Answer: TRUE

Difficulty: Moderate

Learning Obj.: 1.2: Explain how globalization, innovation, and environmental sustainability influence strategic management

AACSB: Application of knowledge

34) A Gallup study reported that companies that focused on business sustainability had 3.9 times the EPS growth rates as compared to organizations that did not focus on business sustainability.

Answer: TRUE

Difficulty: Difficult

Learning Obj.: 1.2: Explain how globalization, innovation, and environmental sustainability influence strategic management

AACSB: Application of knowledge

35) Define globalization and identify the role of strategic management in globalization.

Answer: Globalization is the internationalization of markets and corporations. It has changed the way that modern corporations do business. As more industries become global, strategic management is becoming an increasingly important way to keep track of international developments and position the company for long-term competitive advantage.

Difficulty: Easy

Learning Obj.: 1.2: Explain how globalization, innovation, and environmental sustainability influence strategic management

AACSB: Application of knowledge

36) Which theory proposes that once an organization is successfully established in a particular environmental niche, it is unable to adapt to changing conditions?

- A) population ecology
- B) institution
- C) citizenship
- D) strategic choice
- E) organizational learning

Answer: A

Difficulty: Moderate

Learning Obj.: 1.3: Discuss the differences between the theories of organizations

AACSB: Application of knowledge

37) The theory that proposes organizations can and do adapt to changing conditions by imitating other successful organizations is known as

- A) population ecology.
- B) institution theory.
- C) citizenship theory.
- D) strategic theory.
- E) sample theory.

Answer: B

Difficulty: Moderate

Learning Obj.: 1.3: Discuss the differences between the theories of organizations

AACSB: Application of knowledge

38) The ability of an organization to reshape its environment is described by

- A) population ecology theory.
- B) institution theory.
- C) the strategic choice perspective.
- D) organizational learning theory.
- E) organizational citizenship theory.

Answer: C

Difficulty: Moderate

Learning Obj.: 1.3: Discuss the differences between the theories of organizations

AACSB: Application of knowledge

39) Population ecology is a theory that proposes organizations can and do adapt to change by imitating other successful organizations.

Answer: FALSE

Difficulty: Easy

Learning Obj.: 1.3: Discuss the differences between the theories of organizations

AACSB: Application of knowledge

40) The ability of a corporation to shift from one dominant strategy to another is called

- A) strategy implementation.
- B) chaos formulation.
- C) contingency management.
- D) logical incrementalism.
- E) strategic flexibility.

Answer: E

Difficulty: Moderate

Learning Obj.: 1.4: Discuss the activities where learning organizations excel

AACSB: Application of knowledge

41) An organization skilled at creating, acquiring, and transferring knowledge, and at modifying its behavior to reflect new knowledge and insights is a(n)

- A) learning organization.
- B) strategically managed corporation.
- C) innovative organization.
- D) hypercompetitive competitor.
- E) entrepreneurial firm.

Answer: A

Difficulty: Easy

Learning Obj.: 1.4: Discuss the activities where learning organizations excel

AACSB: Application of knowledge

42) All of the following reflect activities of a learning organization EXCEPT

- A) experimenting with new approaches.
- B) learning from its own experiences and past history.
- C) solving problems systematically.
- D) alienating competitors in the industry.
- E) transferring knowledge quickly and efficiently throughout the organization.

Answer: D

Difficulty: Moderate

Learning Obj.: 1.4: Discuss the activities where learning organizations excel

AACSB: Application of knowledge

43) According to Alfred Chandler,

- A) high-tech industries cannot be defined by "paths of learning" if they want to evolve.
- B) companies spring from an individual entrepreneur's knowledge, which is composed exclusively of technical skills.
- C) once a corporation has built its learning base to the point where it has become a core company in its industry, entrepreneurial start-ups are rarely able to successfully enter.
- D) learned capabilities derive from organizational strengths.
- E) organizational knowledge can seldom be a competitive advantage.

Answer: C

Difficulty: Difficult

Learning Obj.: 1.4: Discuss the activities where learning organizations excel

AACSB: Application of knowledge

44) According to organizational learning theory, an organization uses knowledge to improve the fit between itself and its environment.

Answer: TRUE

Difficulty: Moderate

Learning Obj.: 1.4: Discuss the activities where learning organizations excel

AACSB: Application of knowledge

45) Strategic flexibility is the ability to shift from one dominant strategy to another.

Answer: TRUE

Difficulty: Easy

Learning Obj.: 1.4: Discuss the activities where learning organizations excel

AACSB: Application of knowledge

46) One tenet of the learning organization is to maintain stability.

Answer: FALSE

Difficulty: Moderate

Learning Obj.: 1.4: Discuss the activities where learning organizations excel

AACSB: Application of knowledge

47) What are the four main activities of a learning organization?

Answer: The four main activities of a learning organization are solving problems systematically, experimenting with new approaches, learning from their experiences and history as well as from the experiences of others, and transferring knowledge quickly and efficiently throughout the organization.

Difficulty: Moderate

Learning Obj.: 1.4: Discuss the activities where learning organizations excel

AACSB: Application of knowledge

48) Strategic management is that set of managerial decisions and actions that determine the long-run performance of a corporation. Which one of the following is *not* one of the basic elements of the strategic management process?

A) strategy formulation

B) strategy implementation

C) statistical process control

D) evaluation and control

E) environmental scanning

Answer: C

Difficulty: Easy

Learning Obj.: 1.5: Describe the basic model of strategic management and its components

AACSB: Application of knowledge

49) The monitoring, evaluating, and disseminating of information from the external and internal environments to key people within the corporation is referred to as

- A) environmental scanning.
- B) external scanning.
- C) internal scanning.
- D) strategy formulation.
- E) strategy implementation.

Answer: A

Difficulty: Moderate

Learning Obj.: 1.5: Describe the basic model of strategic management and its components

AACSB: Application of knowledge

50) The S in SWOT stands for

- A) strategies.
- B) scanning.
- C) strengths.
- D) societal.
- E) sociocultural.

Answer: C

Difficulty: Easy

Learning Obj.: 1.5: Describe the basic model of strategic management and its components

AACSB: Application of knowledge

51) The T in SWOT stands for

- A) trust.
- B) technical.
- C) terminal.
- D) threats.
- E) task.

Answer: D

Difficulty: Easy

Learning Obj.: 1.5: Describe the basic model of strategic management and its components

AACSB: Application of knowledge

52) The variables structure, culture, and resources pertain to the

- A) external environment.
- B) internal environment.
- C) sociocultural forces.
- D) task environment.
- E) societal environment.

Answer: B

Difficulty: Moderate

Learning Obj.: 1.5: Describe the basic model of strategic management and its components

AACSB: Application of knowledge

53) The task environment

- A) includes those elements or groups within an organization's industry.
- B) encompasses the physical working areas of the organization.
- C) is an accounting of the many jobs within an organization.
- D) is an advisory committee to top-management.
- E) includes general forces that only indirectly affect an organization's activities.

Answer: A

Difficulty: Moderate

Learning Obj.: 1.5: Describe the basic model of strategic management and its components

AACSB: Application of knowledge

54) Which one of the following is included in the firm's societal environment?

- A) competitors
- B) economic forces
- C) resources
- D) governments
- E) special interest groups

Answer: B

Difficulty: Moderate

Learning Obj.: 1.5: Describe the basic model of strategic management and its components

AACSB: Application of knowledge

55) Which one of the following is included in the firm's task environment?

- A) technological factors
- B) sociocultural factors
- C) culture
- D) stockholders
- E) political-legal forces

Answer: D

Difficulty: Moderate

Learning Obj.: 1.5: Describe the basic model of strategic management and its components

AACSB: Application of knowledge

56) The Strategic Management Model presents the following process for strategy formulation:

- A) Objectives – Policies – Strategies – Mission.
- B) Mission – Policies – Strategies – Objectives.
- C) Policies – Mission – Strategies – Objectives.
- D) Policies – Strategies – Objectives – Mission.
- E) Mission – Objectives – Strategies – Policies.

Answer: E

Difficulty: Moderate

Learning Obj.: 1.5: Describe the basic model of strategic management and its components

AACSB: Analytical thinking

57) The development of long-range plans for the effective management of environmental opportunities and threats in light of corporate strengths and weaknesses is known as

- A) strategy formulation.
- B) strategy implementation.
- C) strategy control.
- D) strategic analysis.
- E) strategy evaluation.

Answer: A

Difficulty: Moderate

Learning Obj.: 1.5: Describe the basic model of strategic management and its components

AACSB: Application of knowledge

58) The corporate mission is best described by which one of the following?

- A) a description of the activities carried out by the organization
- B) the purpose or reason for the corporation's existence
- C) a description of top management's responsibilities
- D) a statement of corporate objectives
- E) a statement of what the organization would like to become

Answer: B

Difficulty: Moderate

Learning Obj.: 1.5: Describe the basic model of strategic management and its components

AACSB: Application of knowledge

59) Which one of the following is an example of a mission with a narrow scope?

- A) transportation (vs. railroads)
- B) computers (vs. office equipment)
- C) health care (vs. hospitals)
- D) real estate (vs. apartments)
- E) telecommunications (vs. television)

Answer: B

Difficulty: Difficult

Learning Obj.: 1.5: Describe the basic model of strategic management and its components

AACSB: Analytical thinking

60) The organization's corporate mission statement

- A) should have a different mission statement for each subsidiary division.
- B) should be less formally stated to allow for growth.
- C) should contain explicit descriptions of their competitive advantages.
- D) should state what the organization would like to become.
- E) should describe the organization's SWOT.

Answer: C

Difficulty: Moderate

Learning Obj.: 1.5: Describe the basic model of strategic management and its components

AACSB: Application of knowledge

61) Which of the following is an example of a mission statement?

- A) diversify product line to appeal to more people
- B) increase sales by ten percent over last year
- C) pay highest salaries to keep high quality employees
- D) develop and sell quality appliances worldwide
- E) divide a sales region into a group of sales districts

Answer: D

Difficulty: Difficult

Learning Obj.: 1.5: Describe the basic model of strategic management and its components

AACSB: Application of knowledge

62) A goal differs from an objective because it

- A) is open-ended.
- B) is quantified.
- C) specifies measurable results.
- D) is clearly specified.
- E) provides a time horizon.

Answer: A

Difficulty: Difficult

Learning Obj.: 1.5: Describe the basic model of strategic management and its components

AACSB: Analytical thinking

63) Which of the following is an example of an objective?

- A) to diversify product line to appeal to more people
- B) to increase sales by ten percent over last year
- C) to pay highest salaries to keep high quality employees
- D) to develop and sell quality appliances worldwide
- E) to divide a sales region into a group of sales districts

Answer: B

Difficulty: Difficult

Learning Obj.: 1.5: Describe the basic model of strategic management and its components

AACSB: Application of knowledge

64) Which of the following is an example of a corporate strategy?

- A) diversify product line to appeal to more people
- B) imitate products of competitors
- C) pay highest salaries to keep high quality employees
- D) develop and sell quality appliances worldwide
- E) divide a sales region into a group of sales districts

Answer: A

Difficulty: Difficult

Learning Obj.: 1.5: Describe the basic model of strategic management and its components

AACSB: Application of knowledge

65) The type of strategy, which describes a company's overall direction in terms of its general attitude toward growth and the management of its various businesses is

- A) functional.
- B) operational.
- C) business.
- D) product.
- E) corporate.

Answer: E

Difficulty: Moderate

Learning Obj.: 1.5: Describe the basic model of strategic management and its components

AACSB: Application of knowledge

66) The type of strategy, which emphasizes the improvement of the competitive position of a corporation's products or services in a particular industry or market segment served by a business unit is

- A) functional.
- B) operational.
- C) business.
- D) environmental.
- E) corporate.

Answer: C

Difficulty: Moderate

Learning Obj.: 1.5: Describe the basic model of strategic management and its components

AACSB: Application of knowledge

67) The type of strategy, which achieves corporate and business unit objectives and strategies by maximizing resource productivity is

- A) functional.
- B) operational.
- C) business.
- D) product.
- E) corporate.

Answer: A

Difficulty: Moderate

Learning Obj.: 1.5: Describe the basic model of strategic management and its components

AACSB: Application of knowledge

68) A large business has three levels in its hierarchy of strategy:

- A) Corporate – Business – Functional.
- B) Environmental – Corporate – Functional.
- C) Environmental – Enterprise – Corporate.
- D) Business – Divisional – Functional.
- E) Industry – Corporate – Divisional.

Answer: A

Difficulty: Moderate

Learning Obj.: 1.5: Describe the basic model of strategic management and its components

AACSB: Application of knowledge

- 69) As defined in this course, a policy is
- A) the purpose or reason for a corporation's existence.
 - B) a statement of activities or steps needed to accomplish a single-use plan.
 - C) a broad guideline for making decisions that links the formulation of strategy with its implementation.
 - D) a comprehensive master plan stating how a corporation will achieve its mission and objectives.
 - E) a statement of a corporation's programs in dollar terms.

Answer: C

Difficulty: Easy

Learning Obj.: 1.5: Describe the basic model of strategic management and its components

AACSB: Analytical thinking

- 70) Which of the following is an example of a policy?
- A) Diversify product line to appeal to more people.
 - B) Increase sales by ten percent over last year.
 - C) Only acquire companies of 75 employees or more; 75 percent must be engineers.
 - D) Develop and sell quality appliances worldwide.
 - E) Diversify from retailing into delivery.

Answer: C

Difficulty: Difficult

Learning Obj.: 1.5: Describe the basic model of strategic management and its components

AACSB: Application of knowledge

- 71) The process by which strategies and policies are put into action through the development of programs, budgets, and procedures is
- A) strategy formulation.
 - B) strategy control.
 - C) strategy implementation.
 - D) strategy development.
 - E) strategy evaluation.

Answer: C

Difficulty: Moderate

Learning Obj.: 1.5: Describe the basic model of strategic management and its components

AACSB: Application of knowledge

- 72) Which of the following is *not* a part of strategy implementation?
- A) performance evaluation
 - B) budgets
 - C) programs and tactics
 - D) procedures
 - E) operational planning

Answer: A

Difficulty: Moderate

Learning Obj.: 1.5: Describe the basic model of strategic management and its components

AACSB: Application of knowledge

73) Which of the following is an example of a program?

- A) diversify product line to appeal to more people
- B) increase sales by ten percent over last year
- C) must be "number one" wherever we compete
- D) develop and sell quality appliances worldwide
- E) reduce final assembly time to three days by having suppliers build plan sections

Answer: E

Difficulty: Difficult

Learning Obj.: 1.5: Describe the basic model of strategic management and its components

AACSB: Application of knowledge

74) A program or tactic is

- A) a detailed cost statement in terms of dollars.
- B) a system of sequential steps.
- C) a statement of the activities needed to support a strategy.
- D) the process by which strategies and policies are put into action.
- E) none of the above

Answer: C

Difficulty: Easy

Learning Obj.: 1.5: Describe the basic model of strategic management and its components

AACSB: Application of knowledge

75) A budget is a statement of a corporation's programs in dollar terms. Which is *not* true of the budgetary function?

- A) It is used in planning and control.
- B) It serves as a detailed plan of strategy in action.
- C) Only one budget is necessary to capture all programs.
- D) It details the impact on the firm's future financial situation.
- E) It is used as a means of measuring success based on certain criteria.

Answer: C

Difficulty: Moderate

Learning Obj.: 1.5: Describe the basic model of strategic management and its components

AACSB: Analytical thinking

76) FedEx stipulates specific employee behaviors including how a driver dresses to how keys are held when approaching a customer's door. This is an example of a

- A) program.
- B) budget.
- C) procedure.
- D) policy.
- E) control.

Answer: C

Difficulty: Difficult

Learning Obj.: 1.5: Describe the basic model of strategic management and its components

AACSB: Analytical thinking

77) As a part of the strategic management process, evaluation and control is concerned with all of the following, EXCEPT

- A) generating feedback to decision makers.
- B) monitoring corporate activities and performance.
- C) stimulating a review of the corporation's strategic management.
- D) pinpointing problem areas.
- E) determining top management benefits packages.

Answer: E

Difficulty: Moderate

Learning Obj.: 1.5: Describe the basic model of strategic management and its components

AACSB: Application of knowledge

78) A set of sequential steps or techniques that describe in detail how a particular task or job is to be done is referred to as

- A) a standard operating procedure.
- B) a systems operating procedure.
- C) a standard operating program.
- D) a standard outside procedure.
- E) a systems operating plan.

Answer: A

Difficulty: Easy

Learning Obj.: 1.5: Describe the basic model of strategic management and its components

AACSB: Application of knowledge

79) A hierarchy of strategy emphasizes the need for the three levels of strategy to complement and support one another.

Answer: TRUE

Difficulty: Moderate

Learning Obj.: 1.5: Describe the basic model of strategic management and its components

80) The internal environment includes the variables within the organization itself that are within the short-run control of top management.

Answer: TRUE

Difficulty: Moderate

Learning Obj.: 1.5: Describe the basic model of strategic management and its components

AACSB: Application of knowledge

81) A broad mission statement may limit the scope of a firm's activities in terms of the product or service offered.

Answer: FALSE

Difficulty: Difficult

Learning Obj.: 1.5: Describe the basic model of strategic management and its components

AACSB: Analytical thinking

82) An example of an objective is "increased profitability," while an example of a goal is "to increase the firm's profitability in 2017 by 15 percent over 2016."

Answer: FALSE

Difficulty: Difficult

Learning Obj.: 1.5: Describe the basic model of strategic management and its components

AACSB: Application of knowledge

83) A strategy maximizes competitive advantage and minimizes competitive disadvantage.

Answer: TRUE

Difficulty: Moderate

Learning Obj.: 1.5: Describe the basic model of strategic management and its components

AACSB: Application of knowledge

84) Corporate strategy occurs at the business unit or product level.

Answer: FALSE

Difficulty: Easy

Learning Obj.: 1.5: Describe the basic model of strategic management and its components

AACSB: Application of knowledge

85) A functional strategy may include competitive or cooperative strategies.

Answer: FALSE

Difficulty: Moderate

Learning Obj.: 1.5: Describe the basic model of strategic management and its components

AACSB: Application of knowledge

86) Hierarchy of strategy is a nesting of one strategy within another so that they complement and support one another.

Answer: TRUE

Difficulty: Moderate

Learning Obj.: 1.5: Describe the basic model of strategic management and its components

AACSB: Application of knowledge

87) A budget is a statement of a corporation's programs in terms of dollars.

Answer: TRUE

Difficulty: Easy

Learning Obj.: 1.5: Describe the basic model of strategic management and its components

AACSB: Application of knowledge

88) Performance results are monitored at the strategy formulation phase of the strategic management process.

Answer: FALSE

Difficulty: Moderate

Learning Obj.: 1.5: Describe the basic model of strategic management and its components

AACSB: Application of knowledge

89) Briefly describe the four basic elements of strategic management.

Answer: Strategic management consists of four basic elements. Environmental scanning is the monitoring, evaluating, and disseminating of information from the external and internal environments to key people within the corporation. Strategy formulation is the development of long-range plans for effective management of environmental opportunities and threats, in light of corporate strengths and weaknesses. Strategy implementation is the process by which strategies and policies are put into action through the development of programs, budgets, and procedures. Evaluation and control is the process in which corporate activities and performance results are monitored so that actual performance can be compared with desired performance.

Difficulty: Difficult

Learning Obj.: 1.5: Describe the basic model of strategic management and its components

AACSB: Application of knowledge

90) Research done by Henry Mintzberg suggests that strategy formulation

A) is typically an irregular and a discontinuous process.

B) should be followed unswervingly to ensure success of the plan.

C) is a process to which organizations find they must make significant yearly changes.

D) should be reviewed after a specific interval of time to make sure it is still applicable.

E) is merely a checklist of actions following a logical process.

Answer: A

Difficulty: Moderate

Learning Obj.: 1.6: Identify some common triggering events that act as stimuli for strategic change

AACSB: Analytical thinking

91) The phenomenon that describes corporations as evolving through relatively long periods of stability punctuated by relatively short bursts of fundamental change (revolutionary change) is known as

A) revolution.

B) equilibrium.

C) punctuated equilibrium.

D) logical incrementalism.

E) discontinuity.

Answer: C

Difficulty: Moderate

Learning Obj.: 1.6: Identify some common triggering events that act as stimuli for strategic change

AACSB: Application of knowledge

92) Which of the following is *not* one of the four triggering events listed in the text that is the stimulus for a strategic change?

- A) intervention by the organization's bank
- B) annual strategic planning conference
- C) threat of a takeover
- D) new CEO
- E) awareness by management of decreased profitability

Answer: B

Difficulty: Moderate

Learning Obj.: 1.6: Identify some common triggering events that act as stimuli for strategic change

AACSB: Application of knowledge

93) The existence of a performance gap

- A) should cause management to question their objectives, strategies, and policies.
- B) is not an indicator of problems if it only happens once.
- C) is only the concern of top management because they set the original strategies.
- D) should cause management to look only within the organization to determine the problem.
- E) should signal the immediate need for a layoff.

Answer: A

Difficulty: Moderate

Learning Obj.: 1.6: Identify some common triggering events that act as stimuli for strategic change

AACSB: Analytical thinking

94) Which of the following statements is *not* true of a strategic inflection point?

- A) The term was coined by Andy Grove, past CEO of Intel Corporation.
- B) This represents what happens to a business when a major change takes place due to the introduction of new technology.
- C) This represents what happens to a business when a major change takes place due to a change in customers' values or a change in what customers prefer.
- D) This represents what happens to a business when a major change takes place due to a different regulatory environment.
- E) A new CEO is an example of a strategic inflection point.

Answer: E

Difficulty: Difficult

Learning Obj.: 1.6: Identify some common triggering events that act as stimuli for strategic change

AACSB: Application of knowledge

95) Henry Mintzberg discovered that strategic formulation is a regular, continuous process.

Answer: FALSE

Difficulty: Moderate

Learning Obj.: 1.6: Identify some common triggering events that act as stimuli for strategic change

AACSB: Application of knowledge

96) Punctuated equilibrium describes organizations as evolving through relatively long periods of stability punctuated by relatively short bursts of fundamental change.

Answer: TRUE

Difficulty: Difficult

Learning Obj.: 1.6: Identify some common triggering events that act as stimuli for strategic change

AACSB: Application of knowledge

97) What is a triggering event? List some possible examples.

Answer: A triggering event is something that acts as a stimulus for a change in strategy. Some possible triggering events are a new CEO, an external intervention, a threat of a change in ownership, a performance gap, and a strategic inflection point.

Difficulty: Difficult

Learning Obj.: 1.6: Identify some common triggering events that act as stimuli for strategic change

AACSB: Application of knowledge

98) Which of the following is *not* a characteristic of strategic decisions as mentioned in the text?

A) directive

B) consequential

C) rare

D) continuous

E) require commitment of substantial resources

Answer: D

Difficulty: Easy

Learning Obj.: 1.7: Explain strategic decision-making modes

AACSB: Application of knowledge

99) According to Mintzberg, the entrepreneurial mode of strategy formulation

A) is characterized by reactive solutions to existing problems.

B) assumes major responsibilities for strategy formulation.

C) is focused on opportunities; problems are secondary.

D) includes the proactive search for new opportunities and reactive solutions to existing problems.

E) assumes the environment is unresponsive to input.

Answer: C

Difficulty: Moderate

Learning Obj.: 1.7: Explain strategic decision-making modes

AACSB: Analytical thinking

100) According to Henry Mintzberg, the three most typical approaches to strategic decision-making are

- A) entrepreneurial, adaptive, and planning.
- B) entrepreneurial, logical incrementalism, and planning.
- C) logical incrementalism, strategic planning, and systematic scanning.
- D) environmental scanning, formulation, and implementation.
- E) directive, rare, and consequential.

Answer: A

Difficulty: Easy

Learning Obj.: 1.7: Explain strategic decision-making modes

AACSB: Application of knowledge

101) Amazon.com, founded by Jeff Bezos and reflecting his vision, is an example of which mode of strategic decision-making?

- A) adaptive
- B) entrepreneurial
- C) logical incrementalism
- D) planning
- E) customer relationship management

Answer: B

Difficulty: Difficult

Learning Obj.: 1.7: Explain strategic decision-making modes

AACSB: Analytical thinking

102) What characterizes the planning mode of strategy formulation?

- A) Top management believes that the environment is a force to be used and controlled.
- B) It assumes the environment is too complex to be completely comprehended.
- C) It involves the systematic gathering of appropriate information for situation analysis, the generation of feasible alternative strategies, and the rational selection of the most appropriate strategy.
- D) Rather than utilizing a proactive search for new opportunities, it only has the opportunity for reactive behavior.
- E) It is based on vision and large-picture strategy.

Answer: C

Difficulty: Moderate

Learning Obj.: 1.7: Explain strategic decision-making modes

AACSB: Analytical thinking

103) IBM under CEO Louis Gerstner and his strategic decision to invest in services in 1993, is an example of which mode of strategic decision-making?

- A) adaptive
- B) entrepreneurial
- C) logical incrementalism
- D) planning
- E) muddling through

Answer: D

Difficulty: Difficult

Learning Obj.: 1.7: Explain strategic decision-making modes

AACSB: Application of knowledge

104) The mode of strategic decision-making typical of most universities, many large hospitals, a large number of governmental agencies, and a surprising number of large corporations is

- A) adaptive.
- B) entrepreneurial.
- C) logical incrementalism.
- D) planning.
- E) none of the above

Answer: A

Difficulty: Difficult

Learning Obj.: 1.7: Explain strategic decision-making modes

AACSB: Application of knowledge

105) The mode of strategy formulation used when top management has a reasonably clear idea of the corporation's mission and objectives, but chooses to develop a series of tentative or partial strategies instead of developing full-blown strategies is called

- A) planning mode.
- B) logical incrementalism.
- C) entrepreneurial mode.
- D) adaptive mode.
- E) strategic mode.

Answer: B

Difficulty: Moderate

Learning Obj.: 1.7: Explain strategic decision-making modes

AACSB: Application of knowledge

106) Which approach to decision-making is most useful when the environment is changing rapidly and when it is important to build consensus and develop needed resources before committing the entire corporation to a specific strategy?

- A) planning mode
- B) entrepreneurial mode
- C) logical incrementalism
- D) adaptive mode
- E) strategic flexibility mode

Answer: C

Difficulty: Difficult

Learning Obj.: 1.7: Explain strategic decision-making modes

AACSB: Analytical thinking

107) A strategic decision is rare, consequential, and directive.

Answer: TRUE

Difficulty: Moderate

Learning Obj.: 1.7: Explain strategic decision-making modes

AACSB: Application of knowledge

108) Mintzberg's entrepreneurial mode is sometimes referred to as "muddling through" since this decision-making mode tends to be more reactive than proactive in the search for new opportunities.

Answer: FALSE

Difficulty: Difficult

Learning Obj.: 1.7: Explain strategic decision-making modes

AACSB: Application of knowledge

109) Logical incrementalism is a useful decision-making mode when the environment is rapidly changing and when it is important to build consensus to a specific strategy.

Answer: TRUE

Difficulty: Difficult

Learning Obj.: 1.7: Explain strategic decision-making modes

AACSB: Analytical thinking

110) What is a strategic decision and what are its three characteristics?

Answer: A strategic decision deals with the long-run future of an entire organization. There are three characteristics of a strategic decision:

1. Rare: Strategic decisions are unusual and typically have no precedent to follow.
2. Consequential: Strategic decisions commit substantial resources and demand a great deal of commitment from people at all levels.
3. Directive: Strategic decisions set precedents for lesser decisions and future actions throughout an organization.

Strategic decisions are unusual and typically have no precedent to follow. They commit substantial resources and demand a great deal of commitment from people at all levels. And they set precedents for lesser decisions and future actions throughout the organization.

Difficulty: Moderate

Learning Obj.: 1.7: Explain strategic decision-making modes

AACSB: Application of knowledge

111) A checklist of questions, by area or issue that enables a systematic analysis to be made of various corporate functions and activities is referred to as a(n)

- A) scenario.
- B) portfolio.
- C) strategic audit.
- D) social responsibility audit.
- E) SOP.

Answer: C

Difficulty: Easy

Learning Obj.: 1.8: Use the strategic audit as a method of analyzing corporate functions and activities

AACSB: Application of knowledge

112) While the strategic audit is not an all-inclusive list, it presents many of the critical questions needed for a detailed strategic analysis of any business.

Answer: TRUE

Difficulty: Easy

Learning Obj.: 1.8: Use the strategic audit as a method of analyzing corporate functions and activities

AACSB: Application of knowledge