

Chapter 2 - Leading Strategically

TRUE/FALSE

1. The job of strategic leadership is reserved for top managers. Managers at lower levels can not be strategic leaders.

ANS: F PTS: 1 REF: Page 26 OBJ: Learning Objective 1
 KEY: Comprehension
 MSC: AACSB: Analytic | Management: Leadership Principles | Dierdorff & Rubin: Learning, Motivation, & Leadership

2. In order to be successful, strategic leaders must only make revolutionary changes when they are new to an organization.

ANS: F PTS: 1 REF: Page 26-28 OBJ: Learning Objective 1
 KEY: Comprehension
 MSC: AACSB: Analytic | Management: Leadership Principles | Dierdorff & Rubin: Learning, Motivation, & Leadership

3. The jobs of CEO and Chairman of the Board of Directors are essentially the same.

ANS: F PTS: 1 REF: Page 25-26 OBJ: Learning Objective 1
 KEY: Conceptual
 MSC: AACSB: Analytic | Management: Strategy | Dierdorff & Rubin: Strategic & Systems Skills

4. Today's strategic leaders generally involve others in strategic management.

ANS: T PTS: 1 REF: Page 29 OBJ: Learning Objective 1
 KEY: Comprehension
 MSC: AACSB: Analytic | Management: Strategy | Dierdorff & Rubin: Learning, Motivation, & Leadership

5. Developing the top management team and a plan for management succession are important strategic leadership actions.

ANS: T PTS: 1 REF: Page 29-31 OBJ: Learning Objective 1
 KEY: Knowledge
 MSC: AACSB: Analytic | Management: Strategy | Dierdorff & Rubin: Learning, Motivation, & Leadership

6. A company's mission statement should be more concrete than the vision.

ANS: T PTS: 1 REF: Page 28 OBJ: Learning Objective 2
 KEY: Knowledge
 MSC: AACSB: Analytic | Management: Strategy | Dierdorff & Rubin: Strategic & Systems Skills

7. When firms are performing poorly they are more likely to use an outside CEO succession.

ANS: T PTS: 1 REF: Page 28 OBJ: Learning Objective 4
 KEY: Comprehension
 MSC: AACSB: Analytic | Management: Strategy | Dierdorff & Rubin: Strategic & Systems Skills

8. Wal-Mart was ranked #1 on *Fortune's* Most Admired Companies rankings from 2006-2008..

ANS: F PTS: 1 REF: Page 29 OBJ: Learning Objective 2
KEY: Knowledge
MSC: AACSB: Analytic | Management: Strategy | Dierdorff & Rubin: Strategic & Systems Skills

9. The top management team at most firms is composed of people with the title of General Manager and higher.

ANS: F PTS: 1 REF: Page 29-30 OBJ: Learning Objective 3
KEY: Knowledge
MSC: AACSB: Analytic | Management: Strategy | Dierdorff & Rubin: Strategic & Systems Skills

10. When CEOs select members of their top management team, they usually prefer people who think differently from them and who will be willing to disagree with them.

ANS: F PTS: 1 REF: Page 29 OBJ: Learning Objective 3
KEY: Comprehension
MSC: AACSB: Analytic | Management: Strategy | Dierdorff & Rubin: Strategic & Systems Skills

11. According to the text, the majority of CEO successions involve hiring someone from inside the firm.

ANS: T PTS: 1 REF: Page 30 OBJ: Learning Objective 4
KEY: Comprehension
MSC: AACSB: Analytic | Management: Strategy | Dierdorff & Rubin: Strategic & Systems Skills

12. According to the text, the majority of CEO successions involve hiring someone from outside the firm.

ANS: F PTS: 1 REF: Page 30 OBJ: Learning Objective 4
KEY: Comprehension
MSC: AACSB: Analytic | Management: Strategy | Dierdorff & Rubin: Strategic & Systems Skills

13. A homogeneous top management team is more likely to make major mistakes than a heterogeneous top management team.

ANS: T PTS: 1 REF: Page 29-30 OBJ: Learning Objective 3
KEY: Comprehension
MSC: AACSB: Analytic | Management: Strategy | Dierdorff & Rubin: Learning, Motivation, & Leadership

14. Historically, Nissan has always made sure to include non-Japanese employees in its top management teams.

ANS: F PTS: 1 REF: Page 30 OBJ: Learning Objective 3
KEY: Application
MSC: AACSB: Reflective Thinking | Management: Strategy | Dierdorff & Rubin: Learning, Motivation, & Leadership

15. Heterogeneous top management teams make decisions more quickly than homogeneous teams, but are less likely to make mistakes.

ANS: F PTS: 1 REF: Page 29-30 OBJ: Learning Objective 3
KEY: Comprehension

MSC: AACSB: Analytic | Management: Strategy | Dierdorff & Rubin: Learning, Motivation, & Leadership

16. A policy of hiring and promoting people from within the company to top management positions does little to motivate employees to perform well.

ANS: F PTS: 1 REF: Page 30 OBJ: Learning Objective 4

KEY: Comprehension

MSC: AACSB: Analytic | Management: Strategy | Dierdorff & Rubin: Learning, Motivation, & Leadership

17. When a new CEO is selected from within the company, she/he is less likely to make drastic strategic changes than when an outsider becomes the new CEO.

ANS: T PTS: 1 REF: Page 30 OBJ: Learning Objective 4

KEY: Comprehension

MSC: AACSB: Analytic | Management: Strategy | Dierdorff & Rubin: Learning, Motivation, & Leadership

18. When companies are performing poorly, they are more likely to select a new CEO from within the firm, so that employees are already familiar with and comfortable with the new CEO's personality and leadership style.

ANS: F PTS: 1 REF: Page 30-31 OBJ: Learning Objective 4

KEY: Comprehension

MSC: AACSB: Analytic | Management: Strategy | Dierdorff & Rubin: Learning, Motivation, & Leadership

19. At times it is hard to tell whether a successor is an insider or an outsider.

ANS: T PTS: 1 REF: Page 31 OBJ: Learning Objective 4

KEY: Comprehension

MSC: AACSB: Analytic | Management: Strategy | Dierdorff & Rubin: Strategic & Systems Skills

20. According to the text, recent estimates suggest that up to 75% of a company's value may be contained in its intangible resources.

ANS: T PTS: 1 REF: Page 33 OBJ: Learning Objective 5

KEY: Knowledge

MSC: AACSB: Analytic | Management: Creation of Value | Dierdorff & Rubin: Strategic & Systems Skills

21. Human capital, organizational culture, and intellectual property are all examples of intangible resources.

ANS: T PTS: 1 REF: Page 33 OBJ: Learning Objective 5

KEY: Knowledge

MSC: AACSB: Analytic | Management: Creation of Value | Dierdorff & Rubin: Strategic & Systems Skills

22. Companies develop employee training programs to enhance their human capital.

ANS: T PTS: 1 REF: Page 33 OBJ: Learning Objective 5

KEY: Comprehension

MSC: AACSB: Analytic | Management: Creation of Value | Dierdorff & Rubin: Managing Human Capital

23. Innovation is a hallmark of companies with entrepreneurial cultures.

ANS: T PTS: 1 REF: Page 36 OBJ: Learning Objective 5

KEY: Comprehension

MSC: AACSB: Analytic | Management: Creation of Value | Dierdorff & Rubin: Managing Strategy & Innovation

24. One of 3M's biggest weaknesses has been the company's inability to incorporate new innovations into marketable products.

ANS: F PTS: 1 REF: Page 36 OBJ: Learning Objective 5

KEY: Application

MSC: AACSB: Analytic | Management: Creation of Value | Dierdorff & Rubin: Managing Strategy & Innovation

25. General Mills has found success by resisting the trend toward healthier products.

ANS: F PTS: 1 REF: Page 35-36 OBJ: Learning Objective 6

KEY: Application

MSC: AACSB: Reflective Thinking | Management: Environmental Influence | Dierdorff & Rubin: Strategic & Systems Skills

26. Relationships with suppliers, alliance partners, venture capitalists and outsourcers are examples of external social capital.

ANS: T PTS: 1 REF: Page 34 OBJ: Learning Objective 5

KEY: Comprehension

MSC: AACSB: Analytic | Management: Strategy | Dierdorff & Rubin: Strategic & Systems Skills

27. An entrepreneurial culture is more important in high technology companies than it is in low technology companies.

ANS: F PTS: 1 REF: Page 36 OBJ: Learning Objective 6

KEY: Comprehension

MSC: AACSB: Analytic | Management: Group Dynamics | Dierdorff & Rubin: Managing Human Capital

28. When top managers make decisions that are in the company's best interest rather than their own best interest, they are considered to be acting opportunistically.

ANS: F PTS: 1 REF: Page 36-37 OBJ: Learning Objective 7

KEY: Comprehension

MSC: AACSB: Ethics | Management: Leadership Principles | Dierdorff & Rubin: Strategic & Systems Skills

29. All related-party transactions are unethical.

ANS: F PTS: 1 REF: Page 37 OBJ: Learning Objective 6

KEY: Comprehension

MSC: AACSB: Ethics | Management: Ethical Responsibilities | Dierdorff & Rubin: Knowledge of Human Behavior & Society

30. Corporate governance begins with the Board of Directors.

ANS: T PTS: 1 REF: Page 36 OBJ: Learning Objective 6
KEY: Comprehension
MSC: AACSB: Analytic | Management: Strategy | Dierdorff & Rubin: Strategic & Systems Skills

MULTIPLE CHOICE

1. Starbuck's current CEO is

- a. Michael Dell
- b. Howard Schultz
- c. Anne Mulcahy
- d. Dennis Kozlowski

ANS: B PTS: 1 REF: Page 38 OBJ: Learning Objective 8
KEY: Application
MSC: AACSB: Analytic | Management: Strategy | Dierdorff & Rubin: Strategic & Systems Skills

2. To build social capital, effective strategic leaders have well-developed

- a. negotiation skills.
- b. organizational skills.
- c. relational skills.
- d. planning skills.

ANS: C PTS: 1 REF: Page 34 OBJ: Learning Objective 1
KEY: Comprehension
MSC: AACSB: Analytic | Management: Leadership Principles | Dierdorff & Rubin: Learning, Motivation, & Leadership

3. Tyco's new CEO Ed Breen believes that strategic leaders should

- a. make acquisitions and build up the firm's debt to avoid becoming a takeover target
- b. avoid revolutionary strategic changes until they have been with the company at least five years
- c. use acquisitions to fuel growth and not waste time and money on internal sources of innovation
- d. compete with brains as well as braun.

ANS: D PTS: 1 REF: Page 33 OBJ: Learning Objective 1
KEY: Application
MSC: AACSB: Reflective Thinking | Management: Strategy | Dierdorff & Rubin: Strategic & Systems Skills

4. A firm's intellectual property is developed by its

- a. social capital.
- b. human capital.
- c. external social capital.
- d. engineering department.

ANS: B PTS: 1 REF: Page 33 OBJ: Learning Objective 1
KEY: Conceptual
MSC: AACSB: Analytic | Management: Creation of Value | Dierdorff & Rubin: Managing Human Capital

5. Because of the opportunity for unethical behavior, the SEC has started to carefully scrutinize

- a. acquisitions.
- b. divestitures.
- c. internal CEO successions.
- d. related-party transactions.

ANS: D PTS: 1 REF: Page 37 OBJ: Learning Objective 7

KEY: Application

MSC: AACSB: Ethics | Management: Ethical Responsibilities | Dierdorff & Rubin: Managing Administration & Control

6. To promote more effective corporate governance, institutional investors generally prefer
- more interdependent inside directors.
 - more independent outside directors.
 - more interdependent outside directors.
 - fewer independent outside directors.

ANS: B PTS: 1 REF: Page 32 OBJ: Learning Objective 7

KEY: Comprehension

MSC: AACSB: Analytic | Management: Strategy | Dierdorff & Rubin: Strategic & Systems Skills

7. Strategic leadership involves which of the following?
- Developing a vision for the firm
 - Designing effective IT systems
 - Creating a “win at all costs” culture
 - Evaluating employee performance

ANS: A PTS: 1 REF: Page 26 OBJ: Learning Objective 1

KEY: Comprehension

MSC: AACSB: Analytic | Management: Strategy | Dierdorff & Rubin: Learning, Motivation, & Leadership

8. A company’s vision is typically designed to be in effect for how long?
- 3-5 years
 - 30-40 years
 - 40-50 years
 - None of these

ANS: D PTS: 1 REF: Page 27 OBJ: Learning Objective 1

KEY: Knowledge

MSC: AACSB: Analytic | Management: Strategy | Dierdorff & Rubin: Strategic & Systems Skills

9. Which of the following companies operates with the vision to “dramatically change the industries within which it competes?”
- Dell Computer
 - Apple Computer
 - eBay
 - Cisco Systems

ANS: B PTS: 1 REF: Page 28 OBJ: Learning Objective 2

KEY: Knowledge

MSC: AACSB: Reflective Thinking | Management: Strategy | Dierdorff & Rubin: Strategic & Systems Skills

10. Which of the following statements concerning vision IS CORRECT?
- Visions can vary greatly across firms
 - Visions are remarkably constant across all firms
 - Visions are remarkably constant across firms in the same industry
 - None of these

ANS: A PTS: 1 REF: Page 28 OBJ: Learning Objective 2

KEY: Comprehension

MSC: AACSB: Analytic | Management: Strategy | Dierdorff & Rubin: Strategic & Systems Skills

11. Which of the following companies DOES NOT appear in the top twenty of the *Fortune* list of the Most Admired Companies between 2006-2008?
- FedEx
 - Google
 - General Motors
 - Wal-Mart

ANS: C PTS: 1 REF: Page 29 OBJ: Learning Objective 2
KEY: Knowledge
MSC: AACSB: Reflective Thinking | Management: Strategy | Dierdorff & Rubin: Strategic & Systems Skills

12. The group of managers charged with the responsibility to develop and implement a firm's strategies is best known as
- a. the general management committee
 - b. the board of directors
 - c. the top management team
 - d. a stakeholder group

ANS: C PTS: 1 REF: Page 29 OBJ: Learning Objective 3
KEY: Knowledge
MSC: AACSB: Analytic | Management: Strategy | Dierdorff & Rubin: Strategic & Systems Skills

13. A top management team that is made up of people with very similar backgrounds and experience is considered to be
- a. a heterogeneous team
 - b. a homogeneous team
 - c. more common in the United States than in Japan
 - d. a bad idea because they take too long to reach consensus

ANS: B PTS: 1 REF: Page 29 OBJ: Learning Objective 3
KEY: Knowledge
MSC: AACSB: Analytic | Management: Strategy | Dierdorff & Rubin: Strategic & Systems Skills

14. A top management team that consists of people from different functional backgrounds and a variety of experience is considered to be
- a. a heterogeneous team
 - b. a homogeneous team
 - c. more common in Japan than in the United States
 - d. a bad idea because they make decisions very quickly and are prone to making mistakes

ANS: A PTS: 1 REF: Page 29-30 OBJ: Learning Objective 3
KEY: Knowledge
MSC: AACSB: Analytic | Management: Strategy | Dierdorff & Rubin: Strategic & Systems Skills

15. Which type of top management team is likely to make the BEST decisions?
- a. an entrepreneurial top management team
 - b. a heterogeneous top management team
 - c. a homogeneous top management team
 - d. a centralized top management team

ANS: B PTS: 1 REF: Page 29-30 OBJ: Learning Objective 3
KEY: Comprehension
MSC: AACSB: Analytic | Management: Strategy | Dierdorff & Rubin: Strategic & Systems Skills

16. A company's top management team is generally composed of managers with the title of
- a. CEO and above.
 - b. president and above.
 - c. vice-president and above.
 - d. vice-president and below.

ANS: C PTS: 1 REF: Page 29 OBJ: Learning Objective 3
KEY: Knowledge
MSC: AACSB: Analytic | Management: Strategy | Dierdorff & Rubin: Strategic & Systems Skills

17. Which of the following could be classified as a “succession event?”
- appointing an insider to become the new CEO
 - hiring a new CEO from outside the firm
 - making an acquisition and appointing the CEO from the acquired firm as the new CEO
 - all of these

ANS: D PTS: 1 REF: Page 30-31 OBJ: Learning Objective 3

KEY: Comprehension

MSC: AACSB: Analytic | Management: Strategy | Dierdorff & Rubin: Strategic & Systems Skills

18. Which company’s “ten-step talent” management development program is considered one of the most effective programs for developing strategic leaders?

- General Electric
- Ford
- Wal-Mart
- Google

ANS: A PTS: 1 REF: Page 30 OBJ: Learning Objective 3

KEY: Knowledge

MSC: AACSB: Reflective Thinking | Management: Strategy | Dierdorff & Rubin: Strategic & Systems Skills

19. Which of the following types of CEO succession has the greatest potential to motivate employees to perform well?

- outsider succession
- inside/outside succession
- insider succession
- all of these

ANS: C PTS: 1 REF: Page 30 OBJ: Learning Objective 4

KEY: Comprehension

MSC: AACSB: Analytic | Management: Group Dynamics | Dierdorff & Rubin: Knowledge of Human Behavior & Society

20. What is one of the most common reasons that a board of directors chooses a new CEO from outside the organization?

- Board desires to continue the strategies of the previous CEO
- There are no insiders who are qualified to be CEO
- Board desires to change the firm’s strategies
- None of these

ANS: C PTS: 1 REF: Page 31 OBJ: Learning Objective 4

KEY: Comprehension

MSC: AACSB: Analytic | Management: Strategy | Dierdorff & Rubin: Strategic & Systems Skills

21. Buildings, manufacturing plants, offices, machinery and computers are all examples of

- social capital
- physical resources
- intangible resources
- organizational capital

ANS: B PTS: 1 REF: Page 31

OBJ: Learning Objective 2 | Learning Objective 3 | Learning Objective 4 | Learning Objective 5

KEY: Comprehension

MSC: AACSB: Analytic | Management: Strategy | Dierdorff & Rubin: Strategic & Systems Skills

22. Human capital, intellectual property and social capital are examples of

- intangible resources
- physical resources
- tangible resources
- organizational capital

ANS: A PTS: 1 REF: Page 33 OBJ: Learning Objective 5

KEY: Comprehension

MSC: AACSB: Analytic | Management: Strategy | Dierdorff & Rubin: Strategic & Systems Skills

23. Which of the following resources includes the knowledge and skills of the people working for the firm?
- a. social capital
 - b. intellectual property
 - c. human capital
 - d. organizational capital

ANS: C PTS: 1 REF: Page 33 OBJ: Learning Objective 5

KEY: Comprehension

MSC: AACSB: Analytic | Management: Strategy | Dierdorff & Rubin: Managing Human Capital

24. When organizations continuously develop their knowledge and skills through training programs and on-the-job experiences they are focused on
- a. developing social capital.
 - b. developing human capital.
 - c. balancing the scorecard.
 - d. developing entrepreneurial capital.

ANS: B PTS: 1 REF: Page 33 OBJ: Learning Objective 5

KEY: Comprehension

MSC: AACSB: Analytic | Management: Creation of Value | Dierdorff & Rubin: Managing Human Capital

25. The internal and external relationships that help a firm provide value to customers and other shareholders are known as
- a. organizational capital
 - b. organizational learning
 - c. human capital
 - d. social capital

ANS: D PTS: 1 REF: Page 34 OBJ: Learning Objective 5

KEY: Knowledge

MSC: AACSB: Analytic | Management: Strategy | Dierdorff & Rubin: Strategic & Systems Skills

26. Which of the following is most likely to help an organization expand its business into new markets?
- a. human capital
 - b. external social capital
 - c. internal social capital
 - d. organizational capital

ANS: B PTS: 1 REF: Page 34 OBJ: Learning Objective 5

KEY: Comprehension

MSC: AACSB: Analytic | Management: Strategy | Dierdorff & Rubin: Strategic & Systems Skills

27. External social capital can enable firms to
- a. gain access to needed resources
 - b. increase or improve their ability to produce quality products
 - c. enter new markets
 - d. all of these

ANS: D PTS: 1 REF: Page 34 OBJ: Learning Objective 5

KEY: Comprehension

MSC: AACSB: Analytic | Management: Strategy | Dierdorff & Rubin: Strategic & Systems Skills

28. When a company has “strong ties” with another firm, which of the following conditions exist?
- a. trust exists between the parties and reciprocity is expected
 - b. top managers in both firms are compassionate and possess strong communication skills
 - c. leaders in both firms lead with their hearts as well as their heads
 - d. the companies share information, as well as financial capital

ANS: A PTS: 1 REF: Page 34 OBJ: Learning Objective 5

KEY: Comprehension

MSC: AACSB: Analytic | Management: Strategy | Dierdorff & Rubin: Strategic & Systems Skills

29. Entrepreneurial cultures
- value innovation
 - encourage employees to identify and exploit new opportunities
 - encourage creativity and risk-taking
 - all of these

ANS: D PTS: 1 REF: Page 36 OBJ: Learning Objective 6

KEY: Comprehension

MSC: AACSB: Analytic | Management: Creation of Value Strategy | Dierdorff & Rubin: Managing Strategy & Innovation

30. Corporate governance begins with
- the CEO.
 - the Board of Directors.
 - front-line managers.
 - everyone in the organization.

ANS: B PTS: 1 REF: Page 36 OBJ: Learning Objective 7

KEY: Comprehension

MSC: AACSB: Analytic | Management: Strategy | Dierdorff & Rubin: Strategic & Systems Skills

31. When managers make decisions that are in their own best interests, rather than the best interests of their company, they are
- acting entrepreneurially
 - acting strategically
 - acting opportunistically
 - none of these

ANS: C PTS: 1 REF: Page 36-37 OBJ: Learning Objective 6

KEY: Comprehension

MSC: AACSB: Ethics | Management: Ethical Responsibilities | Dierdorff & Rubin: Managing Human Capital

32. According to the text, how can strategic leaders promote integrity and ethical behavior?
- Develop standards for behavior among employees
 - Serve as role models for ethical behavior
 - Expect, praise and reward ethical behavior
 - All of these

ANS: D PTS: 1 REF: Page 36-37 OBJ: Learning Objective 7

KEY: Comprehension

MSC: AACSB: Ethics | Management: Ethical Responsibilities | Dierdorff & Rubin: Managing Human Capital

33. Opportunistic behavior on the part of strategic leaders at Enron and Tyco has led to an increase in the importance of
- having insiders on a company's board of directors
 - institutional investing
 - corporate governance
 - related-party transactions

ANS: C PTS: 1 REF: Page 36 OBJ: Learning Objective 7

KEY: Application

MSC: AACSB: Reflective Thinking | Management: Ethical Responsibilities | Dierdorff & Rubin: Managing Human Capital

34. What legislation was passed in the United States in 2002 to require more managerial responsibility for company activities and outcomes?
- a. White Collar Crime Act
 - b. Morgan-Zander Act
 - c. Kellner-Rollins Act
 - d. Sarbanes-Oxley Act

ANS: D PTS: 1 REF: Page 36 OBJ: Learning Objective 7

KEY: Knowledge

MSC: AACSB: Analytic | Management: Ethical Responsibilities | Dierdorff & Rubin: Strategic & Systems Skills

35. Which of the following statements concerning an entrepreneurial culture IS INCORRECT?
- a. It is important in both high and low technology firms
 - b. It allows companies to exploit new opportunities
 - c. It cannot tolerate failure
 - d. It encourages creativity and risk-taking

ANS: C PTS: 1 REF: Page 36 OBJ: Learning Objective 6

KEY: Comprehension

MSC: AACSB: Analytic | Management: Creation of Value | Dierdorff & Rubin: Managing Strategy & Innovation

36. Which of the following strategic leaders is credited with restoring the entrepreneurial culture at Apple?
- a. Steven Heyer
 - b. Ed Zander
 - c. Steve Jobs
 - d. Kevin Rollins

ANS: C PTS: 1 REF: Page 36 OBJ: Learning Objective 6

KEY: Knowledge

MSC: AACSB: Reflective Thinking | Management: Leadership Principles | Dierdorff & Rubin: Managing Human Capital

37. In recent years, institutional investors in U.S. firms have demanded that boards of directors include more independent outsiders than inside officers. Why do these investors prefer independent outsiders on boards of directors?
- a. They are more objective and more likely to agree with a CEO who is behaving opportunistically.
 - b. They are more subjective and less likely to agree with a CEO who is behaving entrepreneurially.
 - c. They are more objective and less likely to agree with a CEO who is behaving opportunistically.
 - d. They are more subjective and less likely to agree with a CEO who is behaving opportunistically.

ANS: C PTS: 1 REF: Page 25-26 OBJ: Learning Objective 7

KEY: Comprehension

MSC: AACSB: Ethics | Management: Ethical Responsibilities | Dierdorff & Rubin: Strategic & Systems Skills

38. Apple's CEO was reimbursed \$1.2 million for costs he incurred while using his personal jet for company business. This is an example of
- a. managerial opportunism
 - b. unethical behavior
 - c. a related party transaction
 - d. fraudulent behavior

ANS: C PTS: 1 REF: Page 37 OBJ: Learning Objective 7

KEY: Application

MSC: AACSB: Ethics | Management: Ethical Responsibilities | Dierdorff & Rubin: Strategic &

Systems Skills

39. Which of the following agencies is responsible for scrutinizing related party transactions?
- Stockholder Protection Agency
 - Securities and Exchange Commission
 - Federal Trade Commission
 - World Trade Organization

ANS: B PTS: 1 REF: Page 37 OBJ: Learning Objective 7

KEY: Knowledge

MSC: AACSB: Ethics | Management: Ethical Responsibilities | Dierdorff & Rubin: Strategic & Systems Skills

40. Which of the following is the BEST way for a company to ensure that performance standards are met and employees do not misuse the firm's resources?
- build an entrepreneurial culture
 - develop an effective succession plan for top management
 - establish effective control systems
 - minimize the number of institutional investors

ANS: C PTS: 1 REF: Page 37-39 OBJ: Learning Objective 8

KEY: Conceptual | Definition

MSC: AACSB: Analytic | Management: Strategy | Dierdorff & Rubin: Strategic & Systems Skills

41. What are the two primary types of control systems that can be used to guide managerial decision-making?
- business process controls and learning and growth controls
 - institutional controls and monetary controls
 - financial controls and strategic controls
 - cultural controls and performance appraisal

ANS: C PTS: 1 REF: Page 38 OBJ: Learning Objective 8

KEY: Comprehension

MSC: AACSB: Analytic | Management: Strategy | Dierdorff & Rubin: Strategic & Systems Skills

42. What type of control system focuses primarily on generating sales revenue, maintaining reasonable expenses and remaining solvent?
- balanced control systems
 - organizational controls
 - strategic controls
 - financial controls

ANS: D PTS: 1 REF: Page 38 OBJ: Learning Objective 8

KEY: Knowledge

MSC: AACSB: Analytic | Management: Strategy | Dierdorff & Rubin: Strategic & Systems Skills

43. What type of control system focuses on the content of strategic actions rather than performance outcomes?
- balanced control systems
 - organizational controls
 - strategic controls
 - financial controls

ANS: C PTS: 1 REF: Page 38 OBJ: Learning Objective 8

KEY: Knowledge

MSC: AACSB: Analytic | Management: Strategy | Dierdorff & Rubin: Strategic & Systems Skills

44. What type of control system uses both financial and strategic controls simultaneously?
- organizational control system
 - opportunistic control system

& Systems Skills

50. According to the text, strategic leaders can use all of the following behaviors to promote integrity and ethical behavior EXCEPT
- appoint friends and associates to the company's board of directors
 - develop standards for behavior among employees
 - expect, praise and reward ethical behavior
 - serve as role models for ethical behavior

ANS: A PTS: 1 REF: Page 36-37 OBJ: Learning Objective 7

KEY: Comprehension

MSC: AACSB: Ethics | Management: Ethical Responsibilities | Dierdorff & Rubin: Managing Human Capital

51. Using effective control systems, managing a firm's resource portfolio, and building an entrepreneurial culture are important
- strategic leadership actions
 - corporate governance processes
 - Securities and Exchange Commission requirements
 - ways to develop a successful top management team

ANS: A PTS: 1 REF: Page 26-27 OBJ: Learning Objective 1

KEY: Comprehension

MSC: AACSB: Analytic | Management: Strategy | Dierdorff & Rubin: Strategic & Systems Skills

ESSAY

1. Describe at least three ways that a strategic leader can inspire stakeholders to achieve the company's vision.

ANS:

Answers to this question will vary, however students can describe any of the following actions:

Lead by example - behave in ethical ways that provide an example of acting with integrity.

Include teams of managers in the process of making major decisions.

Encourage and reward employees for implementing strategies that support the company's vision.

Develop and implement strategies that are consistent with the vision.

Select top management team members with a variety of backgrounds and experiences (heterogeneous top management team).

Develop an effective plan for management succession.

Effectively manage the firm's resource portfolio.

Build an entrepreneurial culture.

Promote integrity and ethical behavior.

Use effective control systems.

PTS: 1 REF: Page 26-39 OBJ: Learning Objective 1

KEY: Comprehension

MSC: AACSB: Analytic | Management: Strategy | Dierdorff & Rubin: Learning, Motivation, & Leadership

2. Discuss the relationship between innovation and effective strategic leadership.

ANS:

Effective strategic leaders recognize the importance of developing an organizational culture that supports the company's strategies. Regardless of whether the company competes in a high technology or low technology industry, it is important for strategic leaders to focus their firm's innovation in areas that will increase the chances of success. This challenge requires that strategic leaders help their firms develop an intimate understanding of customer needs and an entrepreneurial culture. Innovation requires creativity, risk-taking and tolerance of failure, as well as the permission to identify and exploit new opportunities. All of these characteristics are elements of an entrepreneurial culture which can be built by an effective strategic leader.

PTS: 1 REF: Page 33-34 OBJ: Learning Objective 6

KEY: Comprehension

MSC: AACSB: Analytic | Management: Strategy | Dierdorff & Rubin: Learning, Motivation, & Leadership

3. Identify the two types of control discussed in the text and how each contributes to organization effectiveness.

ANS:

The two types of control discussed in the text are financial control and strategic controls. Financial controls are necessary to ensure that companies are on track to achieve their financial objectives and, ultimately, create acceptable profits. Strategic controls focus on the content of actions rather than their outcomes. Strategic controls are concerned with how well a strategy is being implemented and they focus on longer-term performance than do financial controls. Both financial controls and strategic controls are contained in the Balanced Scorecard, which is an effective framework for evaluating the simultaneous use of both types of controls.

PTS: 1 REF: Page 37-39 OBJ: Learning Objective 8

KEY: Comprehension

MSC: AACSB: Analytic | Management: Strategy | Dierdorff & Rubin: Managing Strategy & Innovation