***Strategic Management: Text and Cases, 9e* (Dess)**

**Chapter 1 Strategic Management: Creating Competitive Advantages**

1) Lands' End's failure under the leadership of Ms. Frederica Marchionni was said to be a direct result of the quality of her leadership. According to the text, this would be an example of the "romantic" perspective of leadership.

Answer: TRUE

Explanation: In the romantic view of leadership, the implicit assumption is that the leader is the key force in determining an organization's success or lack thereof. Under Ms. Marchionni's leadership, the company reported a 19.5-million-dollar loss for 2016 after having reported a 73.8-million-dollar profit for the previous year under its previous CEO.

Difficulty: 2 Medium

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-01 The definition of strategic management and its four key attributes.

Bloom's: Understand

AACSB: Analytical Thinking

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

Answer: TRUE

Explanation: According to the textbook, this is the definition of strategic management.

Difficulty: 1 Easy

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-01 The definition of strategic management and its four key attributes.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

3) Management innovations such as total quality, just-in-time, benchmarking, business process reengineering, and outsourcing are important but not enough for building sustainable competitive advantage.

Answer: TRUE

Explanation: Sustainable competitive advantage cannot be achieved through operational effectiveness alone. Popular management innovations of the last two decades like total quality, just-in-time, benchmarking, business process reengineering, and outsourcing are concerned with operational effectiveness.

Difficulty: 2 Medium

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-01 The definition of strategic management and its four key attributes.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

4) Trade-off decisions between effectiveness and efficiency are important in the practice of strategic management.

Answer: TRUE

Explanation: The fourth attribute of strategic management is that it involves the recognition of trade-offs between effectiveness and efficiency. Some authors have referred to this as the difference between doing the right thing (effectiveness) and doing things right (efficiency).

Difficulty: 2 Medium

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-01 The definition of strategic management and its four key attributes.

Bloom's: Understand

AACSB: Analytical Thinking

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5) According to Henry Mintzberg, a management scholar, most firms do *not* realize their original intended strategy.

Answer: TRUE

Explanation: Henry Mintzberg states that the intended strategy rarely survives in its original form. Unforeseen environmental developments, unanticipated resource constraints, or changes in managerial preferences may result in at least some parts of the intended strategy remaining unrealized. On the other hand, good managers will want to take advantage of a new opportunity presented by the environment, even if it was not part of the original set of intentions.

Difficulty: 2 Medium

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-02 The strategic management process and its three interrelated and principal activities.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

6) The final realized strategy of a firm is a combination of deliberate and time-tested strategies only.

Answer: FALSE

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

Difficulty: 2 Medium

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-02 The strategic management process and its three interrelated and principal activities.

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

7) Strategy analysis is the study of only the big picture external environments of the firm.

Answer: FALSE

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

Difficulty: 2 Medium

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-02 The strategic management process and its three interrelated and principal activities.

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

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

Answer: FALSE

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

Difficulty: 2 Medium

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-02 The strategic management process and its three interrelated and principal activities.

Bloom's: Understand

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9) The three primary participants in corporate governance are: (1) the shareholders, (2) the management (led by the chief executive officer), and (3) the employees.

Answer: FALSE

Explanation: The primary participants are: (1) the shareholders, (2) the management (led by the chief executive officer), and (3) the board of directors.

Difficulty: 2 Medium

Topic: Corporate Governance

Learning Objective: 01-03 The strategic role of corporate governance and stakeholder management, as well as how "symbiosis" can be achieved among an organization's stakeholders.

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

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

Answer: FALSE

Explanation: The board of directors (BOD) are the elected representatives of the shareholders, charged with ensuring that the interests and motives of management are aligned with those of the owners (i.e., shareholders). Recent scandals have resulted in criticism and cynicism that the BOD fulfills this charge.

Difficulty: 2 Medium

Topic: Corporate Governance

Learning Objective: 01-03 The strategic role of corporate governance and stakeholder management, as well as how "symbiosis" can be achieved among an organization's stakeholders.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

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

Answer: FALSE

Explanation: We focus on three important mechanisms to ensure effective corporate governance: (1) an effective and engaged board of directors, (2) shareholder activism, and (3) proper managerial rewards and incentives.

Difficulty: 2 Medium

Topic: Corporate Governance

Learning Objective: 01-03 The strategic role of corporate governance and stakeholder management, as well as how "symbiosis" can be achieved among an organization's stakeholders.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

12) Social responsibility is the idea that organizations are only accountable to stockholders.

Answer: FALSE

Explanation: Social responsibility is the expectation that businesses or individuals will strive to improve the overall welfare of society. From the perspective of a business, this means that managers must take active steps to make society better by virtue of the business being in existence.

Difficulty: 2 Medium

Topic: Corporate Social Responsibility and Sustainability

Learning Objective: 01-04 The importance of social responsibility, including environmental sustainability, and how it can enhance a corporation's innovation strategy.

Bloom's: Analyze

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

13) Shell, NEC, and Procter and Gamble have been measuring their performance according to what has been called a triple bottom line. This technique involves an assessment of financial, social, and environmental performance.

Answer: TRUE

Explanation: Many companies are now measuring what has been called a triple bottom line. This involves assessing financial, social, and environmental performance. Shell, NEC, Procter and Gamble, and others have recognized that failing to account for the environmental and social costs of doing business poses risks to the company and its community.

Difficulty: 2 Medium

Topic: Corporate Social Responsibility and Sustainability

Learning Objective: 01-04 The importance of social responsibility, including environmental sustainability, and how it can enhance a corporation's innovation strategy.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

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

Answer: TRUE

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

Difficulty: 2 Medium

Topic: Corporate Social Responsibility and Sustainability

Learning Objective: 01-04 The importance of social responsibility, including environmental sustainability, and how it can enhance a corporation's innovation strategy.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

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

Answer: FALSE

Explanation: Strategic management requires managers to take an integrative view of the organization and assess how all of the functional areas and activities fit together to help an organization achieve its goals and objectives. This cannot be accomplished if only the top managers in the organization take an integrative, strategic perspective of issues facing the firm, and everyone else fends for themselves in their independent, isolated functional areas. Instead, people throughout the organization must strive toward overall goals.

Difficulty: 1 Easy

Topic: Value of Strategic Leadership

Learning Objective: 01-05 The need for greater empowerment throughout the organization.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

16) The strategic management process should be addressed only by top-level executives. Mid-level and low-level employees are best equipped to implement the strategies of the organization.

Answer: FALSE

Explanation: To develop and mobilize people and other assets, leaders are needed throughout the organization. No longer can organizations be effective if the top level does the thinking, and the rest of the organization does the work. Everyone must be involved in the strategic management process.

Difficulty: 2 Medium

Topic: Value of Strategic Leadership

Learning Objective: 01-05 The need for greater empowerment throughout the organization.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

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

Answer: TRUE

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

Difficulty: 2 Medium

Topic: Value of Strategic Leadership

Learning Objective: 01-05 The need for greater empowerment throughout the organization.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

18) The vision of an organization is at the top level of its hierarchy of organizational goals. The vision statement should be massively inspiring, overarching, and long term.

Answer: TRUE

Explanation: A vision is a goal that is massively inspiring, overarching, and long term.

Difficulty: 2 Medium

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-06 How awareness of a hierarchy of strategic goals can help an organization achieve coherence in strategic decisions.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

19) Much research has supported the notion that individuals work much harder when they are asked to do their best rather than when they are striving toward a specific goal.

Answer: FALSE

Explanation: Challenging objectives can help to motivate and inspire employees to higher levels of commitment and effort. Much research has supported the notion that people work harder when they are striving toward specific goals instead of being asked simply to do their best.

Difficulty: 2 Medium

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-06 How awareness of a hierarchy of strategic goals can help an organization achieve coherence in strategic decisions.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

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

Answer: FALSE

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

Difficulty: 2 Medium

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-06 How awareness of a hierarchy of strategic goals can help an organization achieve coherence in strategic decisions.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

21) The text addresses two perspectives of leadership as well as their implications. These two perspectives are

A) romantic and unromantic.

B) romantic and internal control.

C) external control and unromantic.

D) romantic and external control.

Answer: D

Explanation: The two perspectives of leadership are the romantic and the external control perspectives.

Difficulty: 1 Easy

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-01 The definition of strategic management and its four key attributes.

Bloom's: Remember

AACSB: Knowledge Application

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22) Ms. Frederica Marchionni became CEO of Land's End in February 2015 when the company showed a 73.8 million-dollar profit. By mid-June of 2016, the company had lost 27.2 million dollars. What went wrong?

A) The new leadership did not understand the corporate culture and image.

B) The marketplace liked the new image.

C) The founder undermined the new CEO in her ability to bring about change.

D) The new goals and objectives were coherent with the company mission statement.

Answer: A

Explanation: Ms. Marchionni's leadership style worked at her previous jobs in Ferrari and Dolce and Gabbana. This style did not meet the outdoorsy, casual clothes feel of the Lands' End customer. She chose to work in New York City with office perks such as private bathrooms, resulting in a misfit with the Land's End culture.

Difficulty: 2 Medium

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-01 The definition of strategic management and its four key attributes.

Bloom's: Analyze

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

23) A CEO made a lot of mistakes in assessing the market and the competitive conditions and improperly redesigning the organization into numerous business units. Such errors led to significant performance declines. According to the text, this example illustrates the \_\_\_\_\_\_\_\_ perspective of leadership.

A) external control

B) romantic

C) internal mechanism

D) operational

Answer: B

Explanation: In the romantic view of leadership, the implicit assumption is that the leader is the key force in determining the success (or lack of success) of an organization. This view dominates the popular press in business magazines such as Fortune, BusinessWeek, and Forbes, wherein the CEO is either lauded for the success of the firm or chided for its demise.

Difficulty: 2 Medium

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-01 The definition of strategic management and its four key attributes.

Bloom's: Apply

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

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

A) economic downturns

B) governmental legislation

C) outbreak of war

D) company employee morale

Answer: D

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

Difficulty: 2 Medium

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-01 The definition of strategic management and its four key attributes.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

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

A) analyses, actions, and synthesis.

B) analyses, decisions, and actions.

C) analyses, evaluation, and critique.

D) analyses, synthesis, and decisions.

Answer: B

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

Difficulty: 1 Easy

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-01 The definition of strategic management and its four key attributes.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

26) Management innovations such as total quality, benchmarking, and business process reengineering cannot lead to sustainable competitive advantage because

A) companies that have implemented these techniques have lost money.

B) there is no proof that these techniques work.

C) they cost too much money and effort to implement.

D) every company is trying to implement them.

Answer: D

Explanation: The popular management innovations of the last two decades (total quality, just-in-time, benchmarking, business process reengineering and outsourcing) are all about operational effectiveness. Each of these is important, but none leads to sustainable competitive advantage because everyone is doing them. Strategy is all about being different.

Difficulty: 2 Medium

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-01 The definition of strategic management and its four key attributes.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

27) The organizational versus the individual rationality perspective suggests that objectives that are

A) good for a functional area are always good for the overall organization.

B) good for the overall organization are always best for a functional area.

C) best for a functional area may not be best for the overall organization.

D) best for one functional area will never be best for all functional areas.

Answer: C

Explanation: Strategic management is directed toward overall organizational goals and objectives. Effort must be directed at what is best for the total organization, not just a single functional area. Some authors have referred to this perspective as organizational versus individual rationality. What might look rational or ideal for one functional area, such as operations, may not be in the best interest of the overall firm.

Difficulty: 2 Medium

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-01 The definition of strategic management and its four key attributes.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

28) The four key attributes of strategic management include the idea that strategy must

A) be directed toward overall organizational goals and objectives.

B) be focused only on long-term objectives.

C) be focused on only one specific area of an organization.

D) focus only on competitor strengths.

Answer: A

Explanation: The key attributes of strategic management are that it directs the organization toward overall goals and objectives, includes multiple stakeholders in decision making, needs to incorporate short-term and long-term perspectives, and recognizes trade-offs between efficiency and effectiveness.

Difficulty: 2 Medium

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-01 The definition of strategic management and its four key attributes.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

29) The four key attributes of strategic management include all of the following *except*

A) including multiple stakeholder interests in decision making.

B) incorporating both short-term and long-term perspectives.

C) recognizing the trade-offs between effectiveness and efficiency.

D) emphasis on the attainment of short-term objectives.

Answer: D

Explanation: The key attributes of strategic management are that it directs the organization toward overall goals and objectives, includes multiple stakeholders in decision making, needs to incorporate short-term and long-term perspectives, and recognizes trade-offs between efficiency and effectiveness.

Difficulty: 1 Easy

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-01 The definition of strategic management and its four key attributes.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

30) Effectiveness is often defined as

A) doing things right.

B) stakeholder satisfaction.

C) doing the right thing.

D) productivity enhancement.

Answer: C

Explanation: Effectiveness is tailoring actions to the needs of an organization rather than wasting effort, or doing the right thing.

Difficulty: 1 Easy

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-01 The definition of strategic management and its four key attributes.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

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

A) shareholders and employees

B) employees and suppliers

C) customers and the community at large

D) customers only

Answer: D

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

Difficulty: 2 Medium

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-01 The definition of strategic management and its four key attributes.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

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

A) shareholder value is only measured by short-term returns.

B) shareholders only care about long-term returns.

C) long-term vision precludes the analysis of present operating needs.

D) the creative tension between the two forces managers to develop more successful strategy.

Answer: D

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

Difficulty: 2 Medium

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-01 The definition of strategic management and its four key attributes.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

33) Strategic management involves the recognition of trade-offs between effectiveness and

A) cost.

B) value.

C) return on investment.

D) efficiency.

Answer: D

Explanation: Strategic management involves the recognition of trade-offs between effectiveness and efficiency. Some authors have referred to this as the difference between doing the right thing (effectiveness) and doing things right (efficiency).

Difficulty: 2 Medium

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-01 The definition of strategic management and its four key attributes.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

34) All the following are ambidextrous behaviors *except*

A) taking initiative and being alert to opportunities beyond the job description.

B) being cooperative and seeking opportunities to combine personal efforts with that of others.

C) intensely focusing on the responsibilities of one individual and maximizing the output of the department in the organization in which that individual works.

D) being brokers, always looking to build internal linkages.

Answer: C

Explanation: Ambidextrous behaviors include the following: (1) Individuals take time and are alert to opportunities beyond the confines of their own jobs; (2) they are cooperative and seek out opportunities to combine their efforts with others; (3) they are brokers, always looking to build internal networks; and (4) they are multitaskers, who are comfortable wearing more than one hat.

Difficulty: 2 Medium

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-01 The definition of strategic management and its four key attributes.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

35) Ambidextrous behaviors in individuals illustrate how a dual capacity for \_\_\_\_\_\_\_\_ can be woven into the fabric of an organization at the individual level.

A) alignment and adaptability

B) alignment and transparency

C) alignment and internal linkages

D) alignment and efficiency

Answer: A

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

Difficulty: 2 Medium

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-01 The definition of strategic management and its four key attributes.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

36) The innovation paradox implies that consistency in products and services provokes a tension with the need for new products. This results in a conflict between

A) stability and change.

B) structure and culture.

C) rewards and metrics.

D) stability and metrics.

Answer: A

Explanation: The innovation paradox arises when a company must decide if it is to manage for today or tomorrow. A firm's long-term survival requires taking risks and learning from failure in the pursuit of new products and services. However, companies also need consistency in their products and services. Thus there develops a tension between existing products and new ones, between stability and change.

Difficulty: 2 Medium

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-01 The definition of strategic management and its four key attributes.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

37) According to Henry Mintzberg, the final realized strategy of a firm is

A) a combination of deliberate and emergent strategies.

B) a combination of deliberate and differentiation strategies.

C) not deliberate.

D) a result of unrealized intended strategy.

Answer: A

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

Difficulty: 2 Medium

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-02 The strategic management process and its three interrelated and principal activities.

Bloom's: Remember

AACSB: Knowledge Application

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38) \_\_\_\_\_\_\_\_ may be considered the advance work that must be done in order to effectively formulate and implement strategies.

A) Goal setting

B) Corporate entrepreneurship

C) Strategy analysis

D) Organizational design

Answer: C

Explanation: Strategy analysis may be looked upon as the starting point of the strategic management process. It consists of the advance work that must be done in order to effectively formulate and implement strategies.

Difficulty: 1 Easy

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-02 The strategic management process and its three interrelated and principal activities.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

39) Strategy analysis is the starting point of the strategic management process and consists of the

A) analysis only of the vision, mission, and objectives of the firm.

B) analysis of the relevant internal and external environmental factors only.

C) analysis of relevant competitors only.

D) matching of vision, mission, and objectives with the relevant internal and external environmental factors.

Answer: D

Explanation: Strategy analysis may be looked upon as the starting point of the strategic management process. It consists of the advance work that must be done in order to effectively formulate and implement strategies. Many strategies fail because managers may want to formulate and implement strategies without a careful analysis of the overarching goals of the organization and without a thorough analysis of its external and internal environments.

Difficulty: 2 Medium

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-02 The strategic management process and its three interrelated and principal activities.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

40) Strategy formulation at the business level addresses best how to compete in a given business

A) to attain competitive advantage.

B) to reduce costs.

C) to decrease buyer power.

D) to thwart entry of new rivals.

Answer: A

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

Difficulty: 2 Medium

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-02 The strategic management process and its three interrelated and principal activities.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

41) Corporate level strategy focuses on what businesses to compete in and

A) how business can be managed to achieve synergy.

B) how business can be managed to reduce synergy.

C) how the firm can work as a stand-alone entity.

D) how the firm can create more value by operating alone.

Answer: A

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

Difficulty: 2 Medium

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-02 The strategic management process and its three interrelated and principal activities.

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42) Corporate-level strategy looks at how to manage the \_\_\_\_\_\_\_\_ of its businesses to create synergies.

A) portfolio

B) stock prices

C) competitors

D) market pricing

Answer: A

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

Difficulty: 2 Medium

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-02 The strategic management process and its three interrelated and principal activities.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

43) Entering foreign markets requires firms to ascertain foremost how they will attain

A) market share.

B) low costs.

C) competitive advantage.

D) low returns on investment.

Answer: C

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

Difficulty: 2 Medium

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-02 The strategic management process and its three interrelated and principal activities.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

44) New value creation is a major engine for economic growth and is the main focus of \_\_\_\_\_\_\_\_ strategy.

A) portfolio

B) corporate-level

C) business-level

D) entrepreneurial

Answer: D

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

Difficulty: 2 Medium

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-02 The strategic management process and its three interrelated and principal activities.

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

45) Two types of strategic control that firms must exercise for good strategy implementation are

A) informational and confrontational.

B) confrontational and behavioral.

C) behavioral and financial.

D) informational and behavioral.

Answer: D

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

Difficulty: 2 Medium

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-02 The strategic management process and its three interrelated and principal activities.

Bloom's: Understand

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46) Effective organizational design means that firms must have \_\_\_\_\_\_\_\_ that are consistent with their strategy.

A) designs and plans

B) organizational structures and designs

C) adopters and designs

D) adopters and plans

Answer: B

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

Difficulty: 2 Medium

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-02 The strategic management process and its three interrelated and principal activities.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

47) Learning organizations permit the entire organization to benefit from \_\_\_\_\_\_\_\_ talents.

A) internal and external

B) individual and collective

C) internal and collective

D) external and individual

Answer: B

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

Difficulty: 1 Easy

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-02 The strategic management process and its three interrelated and principal activities.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

48) Effective leaders set a direction and develop an organization so that it is committed to excellence and \_\_\_\_\_\_\_\_ behavior.

A) performant

B) strategic

C) ethical

D) positive

Answer: C

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

Difficulty: 2 Medium

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-02 The strategic management process and its three interrelated and principal activities.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

49) Strategies should be formulated that enhance foremost the \_\_\_\_\_\_\_\_ capacity of a firm.

A) innovative

B) learning

C) implementation

D) business-level

Answer: A

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

Difficulty: 2 Medium

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-02 The strategic management process and its three interrelated and principal activities.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

50) Strategy implementation can be the most difficult part of the strategic management process. Which of the following is *not* likely to be a cause of implementation failure?

A) leadership

B) competition

C) coordination and integration of activities within and outside of the firm

D) organizational commitment to excellence

Answer: B

Explanation: Strategy implementation involves ensuring proper strategic controls and organizational designs, which includes establishing effective means to coordinate and integrate activities within the firm as well as with its suppliers, customers, and alliance partners. Leadership plays a central role, ensuring that the organization is committed to excellence and ethical behavior. It also promotes learning and continuous improvement and acts entrepreneurially in creating new opportunities. Competition is not part of the implementation plan of the firm. It is considered earlier in the strategic management process.

Difficulty: 2 Medium

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-02 The strategic management process and its three interrelated and principal activities.

Bloom's: Analyze

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

51) In the interview with Admiral William H. McRaven, he suggests that several duties, responsibilities and organizational relationships are similar between his military career activity and his role as chancellor. He says that he is a servant leader. Which of the following lessons is *not* one from his military career?

A) Change cannot be made without understanding the organizational environment.

B) A leader must establish relationships early by reaching out to stakeholders within and external to the organization.

C) Communication and collaboration need to be reinforced by the organizational culture.

D) Actions must be moral, legal, ethical, and judgmental.

Answer: D

Explanation: Actions must be moral, legal, and ethical. Judgment is important in maintaining personal integrity but actions should not be judgmental in nature.

Difficulty: 2 Medium

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-02 The strategic management process and its three interrelated and principal activities.

Bloom's: Apply

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

52) The three participants in corporate governance are the shareholders,

A) board of directors, and employees.

B) labor unions, and employees.

C) board of directors, and management.

D) banks and lending institutions, and management.

Answer: C

Explanation: The primary participants in corporate governance are: (1) the shareholders, (2) the management (led by the chief executive officer), and (3) the board of directors.

Difficulty: 2 Medium

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-02 The strategic management process and its three interrelated and principal activities.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

53) While working to prioritize and fulfill their responsibilities, members of the board of directors of an organization should

A) represent their own interests.

B) represent the interests of the shareholders.

C) direct all actions of the CEO.

D) emphasize the importance of short-term goals.

Answer: B

Explanation: The board of directors (BOD) consists of the elected representatives of the shareholders charged with ensuring that the interests and motives of management are aligned with those of the owners (i.e., shareholders).

Difficulty: 2 Medium

Topic: Corporate Governance

Learning Objective: 01-03 The strategic role of corporate governance and stakeholder management, as well as how "symbiosis" can be achieved among an organization's stakeholders.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

54) Members of boards of directors are

A) appointed by the Securities and Exchange Commission.

B) elected by the shareholders as their representatives.

C) elected by the public.

D) only allowed to serve one term of four years.

Answer: B

Explanation: The board of directors (BOD) consists of the elected representatives of the shareholders charged with ensuring that the interests and motives of management are aligned with those of the owners (i.e., shareholders).

Difficulty: 2 Medium

Topic: Corporate Governance

Learning Objective: 01-03 The strategic role of corporate governance and stakeholder management, as well as how "symbiosis" can be achieved among an organization's stakeholders.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

55) An organization is responsible to many different entities. In order to meet the demands of these groups, organizations must participate in stakeholder management. Stakeholder management means that

A) interests of the stockholders are not the only interests that matter.

B) stakeholders are second in importance to the stockholders.

C) stakeholders and managers inevitably work at cross-purposes.

D) all stakeholders receive financial rewards.

Answer: A

Explanation: A stakeholder can be defined as an individual or group, inside or outside the company, that has a stake in and can influence the performance of an organization. Each stakeholder group makes various claims on the company. Five key stakeholders have been identified in all organizations: owners, customers, suppliers, employees, and society at large. Successful firms go beyond an overriding focus on satisfying solely the interests of owners. Rather, they recognize the inherent conflicts that arise among the demands of the various stakeholders, as well as the need to endeavor to attain symbiosis among the various stakeholder groups.

Difficulty: 1 Easy

Topic: Corporate Governance

Learning Objective: 01-03 The strategic role of corporate governance and stakeholder management, as well as how "symbiosis" can be achieved among an organization's stakeholders.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

56) Stakeholders are

A) a new way to describe stockholders.

B) individuals, groups, and organizations who have a stake in the success of the organization.

C) creditors who hold a lien on the assets of the organization.

D) attorneys and their clients who sue the organization.

Answer: B

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

Difficulty: 1 Easy

Topic: Corporate Governance

Learning Objective: 01-03 The strategic role of corporate governance and stakeholder management, as well as how "symbiosis" can be achieved among an organization's stakeholders.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

57) Procter and Gamble has perfected a technique for compacting cleaning powder into a liquid concentration. Consumers, retailers, shipping and wholesalers, and environmentalists all have benefited from the resulting change in consumer shopping habits and the revolution in industry supply-chain economics. According to the text, this is an example of

A) zero-sum relationship among stakeholders.

B) stakeholder symbiosis.

C) rewarding stakeholders.

D) emphasizing financial returns.

Answer: B

Explanation: Organizations can achieve mutual benefit through stakeholder symbiosis, which recognizes that stakeholders are dependent upon each other for their success and well-being.

Difficulty: 2 Medium

Topic: Corporate Governance

Learning Objective: 01-03 The strategic role of corporate governance and stakeholder management, as well as how "symbiosis" can be achieved among an organization's stakeholders.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

58) There are several perspectives of competition. One perspective is zero-sum thinking. Zero-sum thinking means that

A) all parts of the organization gain at no loss.

B) in order for someone to gain others must experience no gain or benefit.

C) one can only gain at the expense of someone else.

D) everyone in the organization shares gains and losses equally.

Answer: C

Explanation: In the zero-sum view, the role of management is to look upon the various stakeholders as competing for the resources of the organization. In essence, the gain of one individual or group is the loss of another individual or group.

Difficulty: 2 Medium

Topic: Corporate Governance

Learning Objective: 01-03 The strategic role of corporate governance and stakeholder management, as well as how "symbiosis" can be achieved among an organization's stakeholders.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

59) Managers should do more than focus on short-term financial performance. One concept that helps managers do this is stakeholder symbiosis. This means that

A) stakeholders are dependent on each other for their success.

B) stakeholders look out for their individual interests.

C) one can only gain at the expense of someone else.

D) all stakeholders want to maximize shareholder returns.

Answer: A

Explanation: Organizations can achieve mutual benefit through stakeholder symbiosis, which recognizes that stakeholders are dependent upon each other for their success and well-being.

Difficulty: 1 Easy

Topic: Corporate Governance

Learning Objective: 01-03 The strategic role of corporate governance and stakeholder management, as well as how "symbiosis" can be achieved among an organization's stakeholders.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

60) Employee stakeholders are concerned with

A) taxes, warranties, and regulations.

B) wages, benefits, and job security.

C) good citizenship behavior.

D) dividends.

Answer: B

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

Difficulty: 2 Medium

Topic: Corporate Governance

Learning Objective: 01-03 The strategic role of corporate governance and stakeholder management, as well as how "symbiosis" can be achieved among an organization's stakeholders.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

61) Stockholders as a stakeholder group are interested primarily in

A) payment of interest and repayment of principal.

B) value and warranties.

C) dividends and capital appreciation.

D) taxes and compliance with regulations.

Answer: C

Explanation: Stockholders are interested in dividends and capital appreciation.

Difficulty: 1 Easy

Topic: Corporate Governance

Learning Objective: 01-03 The strategic role of corporate governance and stakeholder management, as well as how "symbiosis" can be achieved among an organization's stakeholders.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

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

A) government

B) suppliers

C) creditors

D) stockholders

Answer: D

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

Difficulty: 3 Hard

Topic: Corporate Governance

Learning Objective: 01-03 The strategic role of corporate governance and stakeholder management, as well as how "symbiosis" can be achieved among an organization's stakeholders.

Bloom's: Apply

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

63) Supplier stakeholders are concerned with

A) assurance of a continued relationship with the firm.

B) employee benefits.

C) safe working conditions.

D) capital appreciation.

Answer: A

Explanation: Supplier stakeholders are concerned with on-time payment and assurance of a continued relationship with the firm.

Difficulty: 2 Medium

Topic: Corporate Governance

Learning Objective: 01-03 The strategic role of corporate governance and stakeholder management, as well as how "symbiosis" can be achieved among an organization's stakeholders.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

64) Community stakeholders are concerned primarily with

A) product warranties.

B) corporate citizenship behavior.

C) capital appreciation.

D) repayment of principal.

Answer: B

Explanation: Community stakeholders are concerned with good citizenship behavior such as charities, employment, and not polluting the environment.

Difficulty: 2 Medium

Topic: Corporate Governance

Learning Objective: 01-03 The strategic role of corporate governance and stakeholder management, as well as how "symbiosis" can be achieved among an organization's stakeholders.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

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

A) expectation that business will strive to improve the overall welfare of society.

B) idea that organizations are solely responsible to local citizens.

C) fact that court costs could impact the financial bottom line.

D) idea that businesses are responsible for maintaining a healthy social climate for their employees.

Answer: A

Explanation: Social responsibility is the expectation that businesses or individuals will strive to improve the overall welfare of society. From the perspective of a business, this means that managers must take active steps to make society better by virtue of the business being in existence.

Difficulty: 2 Medium

Topic: Corporate Governance

Learning Objective: 01-04 The importance of social responsibility, including environmental sustainability, and how it can enhance a corporation's innovation strategy.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

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

A) financial, environmental, and customer

B) financial, organizational, and customer

C) financial, environmental, and social

D) financial, organizational, and psychological

Answer: C

Explanation: Many companies are now measuring what has been called a triple bottom line. This involves assessing financial, social, and environmental performance.

Difficulty: 2 Medium

Topic: Corporate Social Responsibility and Sustainability

Learning Objective: 01-04 The importance of social responsibility, including environmental sustainability, and how it can enhance a corporation's innovation strategy.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

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

A) suppliers.

B) rivals.

C) government agencies.

D) consumers.

Answer: D

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

Difficulty: 2 Medium

Topic: Corporate Social Responsibility and Sustainability

Learning Objective: 01-04 The importance of social responsibility, including environmental sustainability, and how it can enhance a corporation's innovation strategy.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

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

A) price and availability.

B) availability and quality.

C) price and quality.

D) price and durability.

Answer: C

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

Difficulty: 2 Medium

Topic: Corporate Social Responsibility and Sustainability

Learning Objective: 01-04 The importance of social responsibility, including environmental sustainability, and how it can enhance a corporation's innovation strategy.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

69) According to a CEO survey by Accenture, \_\_\_\_\_\_\_\_ are not mutually exclusive corporate goals.

A) quality and profitability

B) sustainability and profitability

C) ROI and quality

D) availability and ROI

Answer: B

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

Difficulty: 2 Medium

Topic: Corporate Social Responsibility and Sustainability

Learning Objective: 01-04 The importance of social responsibility, including environmental sustainability, and how it can enhance a corporation's innovation strategy.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

70) The ROI on sustainability efforts can be difficult to quantify because

A) an excess of necessary data for accurate calculation is readily available.

B) benefits from such projects are tangible.

C) the payback period is on a different time frame.

D) the payback period is on the same time frame.

Answer: C

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

Difficulty: 2 Medium

Topic: Corporate Social Responsibility and Sustainability

Learning Objective: 01-04 The importance of social responsibility, including environmental sustainability, and how it can enhance a corporation's innovation strategy.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

71) Sustainability programs often find their success beyond company boundaries, thus \_\_\_\_\_\_\_\_ systems and \_\_\_\_\_\_\_\_ metrics cannot capture all of the relevant numbers.

A) external; bio

B) internal; process

C) external; external

D) internal; internal

Answer: B

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

Difficulty: 2 Medium

Topic: Corporate Social Responsibility and Sustainability

Learning Objective: 01-04 The importance of social responsibility, including environmental sustainability, and how it can enhance a corporation's innovation strategy.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

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

A) clear tangibles.

B) clear intangibles.

C) fuzzy tangibles.

D) fuzzy intangibles.

Answer: D

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

Difficulty: 2 Medium

Topic: Corporate Social Responsibility and Sustainability

Learning Objective: 01-04 The importance of social responsibility, including environmental sustainability, and how it can enhance a corporation's innovation strategy.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

73) The case for sustainability projects needs to be made on the basis of a more holistic and comprehensive understanding of all the \_\_\_\_\_\_\_\_ benefits.

A) measurable and unmeasurable

B) financial and physical

C) tangible and intangible

D) measurable and physical

Answer: C

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

Difficulty: 2 Medium

Topic: Corporate Social Responsibility and Sustainability

Learning Objective: 01-04 The importance of social responsibility, including environmental sustainability, and how it can enhance a corporation's innovation strategy.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

74) Some benefits of sustainability projects include

A) reducing risks.

B) lagging behind regulations.

C) displeasing communities.

D) ignoring employee morale.

Answer: A

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

Difficulty: 1 Easy

Topic: Corporate Social Responsibility and Sustainability

Learning Objective: 01-04 The importance of social responsibility, including environmental sustainability, and how it can enhance a corporation's innovation strategy.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

75) Many organizations have a large number of functional areas with very diverse and sometimes competing interests. Such organizations will be most effective if

A) each functional area focuses on achieving their own goals.

B) goals are defined at the bottom and implemented at the top.

C) functional areas work together to attain overall goals.

D) management and employees have separate goals.

Answer: C

Explanation: Strategic management requires managers to take an integrative view of the organization and assess how all of the functional areas and activities fit together to help an organization achieve its goals and objectives. This cannot be accomplished if only the top managers in the organization take an integrative, strategic perspective of issues facing the firm, and everyone else fends for themselves in their independent, isolated functional areas. Instead, people throughout the organization must strive toward overall goals.

Difficulty: 2 Medium

Topic: Value of Strategic Leadership

Learning Objective: 01-05 The need for greater empowerment throughout the organization.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

76) Strategy formulation and implementation is a challenging ongoing process. To be effective, it should *not* involve

A) the CEO and the board of directors.

B) the board of directors, CEO, and CFO.

C) rivals.

D) line and staff managers.

Answer: C

Explanation: To develop and mobilize people and other assets, leaders are needed throughout the organization. No longer can organizations be effective if the top does the thinking, and the rest of the organization does the work. People throughout the organization must strive toward overall goals.

Difficulty: 2 Medium

Topic: Value of Strategic Leadership

Learning Objective: 01-05 The need for greater empowerment throughout the organization.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

77) The text argues that a strategic perspective in an organization should be emphasized

A) at the top of the organization.

B) at the middle of the organization.

C) throughout the organization.

D) from the bottom up.

Answer: C

Explanation: No longer can organizations be effective if the top does the thinking, and the rest of the organization does the work. People throughout the organization must strive toward overall goals.

Difficulty: 2 Medium

Topic: Value of Strategic Leadership

Learning Objective: 01-05 The need for greater empowerment throughout the organization.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

78) Peter Senge, of MIT, recognized three types of leaders. \_\_\_\_\_\_\_\_ are individuals that, although having little positional power and formal authority, generate their power through the conviction and clarity of their ideas.

A) Local line leaders

B) Executive leaders

C) Internal networkers

D) Shop floor leaders

Answer: C

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

Difficulty: 1 Easy

Topic: Value of Strategic Leadership

Learning Objective: 01-05 The need for greater empowerment throughout the organization.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

79) Peter Senge, of MIT, recognized three types of leaders. Which of the following describes individuals who champion and guide ideas, create learning infrastructure, and establish a domain for taking action?

A) local line leaders

B) executive leaders

C) internal networkers

D) shop floor leaders

Answer: B

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

Difficulty: 1 Easy

Topic: Value of Strategic Leadership

Learning Objective: 01-05 The need for greater empowerment throughout the organization.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

80) Leadership is a necessary (but not sufficient) condition for organizational success. Leaders should emerge at which level(s) of an organization?

A) only at the top

B) in the middle

C) throughout the organization

D) only during times of change

Answer: C

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

Difficulty: 2 Medium

Topic: Value of Strategic Leadership

Learning Objective: 01-05 The need for greater empowerment throughout the organization.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

81) Local line leaders have \_\_\_\_\_\_\_\_ responsibility.

A) local

B) executive

C) profit-and-loss

D) no

Answer: C

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

Difficulty: 2 Medium

Topic: Value of Strategic Leadership

Learning Objective: 01-05 The need for greater empowerment throughout the organization.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

82) Internal networks generate their power through the \_\_\_\_\_\_\_\_ of their ideas.

A) validity and correctness

B) conviction and clarity

C) validation and recognition

D) approval and awareness

Answer: B

Explanation: Internal networkers have little positional power and formal authority, but generate their power through the conviction and clarity of their ideas.

Difficulty: 2 Medium

Topic: Value of Strategic Leadership

Learning Objective: 01-05 The need for greater empowerment throughout the organization.

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

83) Executive leaders champion and guide ideas by

A) reinforcing ideas that did not work.

B) creating a learning infrastructure.

C) validating their formal authority.

D) increasing their personal power.

Answer: B

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

Difficulty: 2 Medium

Topic: Value of Strategic Leadership

Learning Objective: 01-05 The need for greater empowerment throughout the organization.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

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

A) formal

B) hierarchal

C) multi-level

D) informal

Answer: D

Explanation: Richard Branson, founder of the Virgin Group, whose core businesses include retail operations, hotels, communications, and an airline, is well known for creating an informal structure and culture where anyone in the organization can be involved in generating and acting on new business ideas.

Difficulty: 2 Medium

Topic: Value of Strategic Leadership

Learning Objective: 01-05 The need for greater empowerment throughout the organization.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

85) To inculcate a strategic management perspective, managers must create management \_\_\_\_\_\_\_\_ to foster change.

A) processes

B) buy-back

C) structures

D) edicts

Answer: A

Explanation: To inculcate a strategic management perspective, managers must create management processes to foster change. This involves planning, leading, and holding people accountable.

Difficulty: 2 Medium

Topic: Value of Strategic Leadership

Learning Objective: 01-05 The need for greater empowerment throughout the organization.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

86) Netflix inculcates a strategic management perspective by

A) emphasizing transparency.

B) creating an environment of non-sharing.

C) obliging a top-down management style.

D) training only high potential employees.

Answer: A

Explanation: To inculcate a strategic management perspective, managers must create management processes to foster change. This involves planning, leading, and holding people accountable. At Netflix, leading people is not based on a position in the hierarchy, nor an individual trait that is taught to people identified as high potentials. The expectation is that anyone can take initiative, make decisions, and influence others consistent with the firm's strategy. Everyone gets and receives feedback from team members, supervisors, managers, and customers. As part of the overall system that emphasizes transparency, there is the shared belief at Netflix that good results depend on people providing their insights and perspectives. Getting alignment, direction, and obtaining results the right way is essential. Those who fail to achieve this are asked to leave the firm.

Difficulty: 2 Medium

Topic: Value of Strategic Leadership

Learning Objective: 01-05 The need for greater empowerment throughout the organization.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

87) For strategic management to be effective in achieving organizational goals,

A) people throughout the organization must work in isolation.

B) top managers only take an integrative, strategic perspective.

C) leaders alone are responsible for the organizational outcome.

D) people throughout the organization must strive toward overall goals.

Answer: D

Explanation: Strategic management requires managers to take an integrative view of the organization and assess how all of the functional areas and activities fit together to help an organization achieve its goals and objectives. This cannot be accomplished if only the top managers in the organization take an integrative, strategic perspective of issues facing the firm and everyone else fends for themselves in their independent, isolated functional areas. Instead, people throughout the organization must strive toward overall goals.

Difficulty: 2 Medium

Topic: Value of Strategic Leadership

Learning Objective: 01-05 The need for greater empowerment throughout the organization.

Bloom's: Analyze

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

88) Richard Branson of the Virgin Group believes that the \_\_\_\_\_\_\_\_ of a person should not dictate the level of influence their ideas should be accorded.

A) age

B) seniority

C) position

D) education

Answer: C

Explanation: Richard Branson, founder of the Virgin Group, whose core businesses include retail operations, hotels, communications, and an airline, is well known for creating a culture and an informal structure where anybody in the organization can be involved in generating and acting upon new business ideas. In an interview, he stated: "If someone has an idea, they can pick up the phone and talk to me. I can vote, ‘Done, let us do it.' Or, better still, they can just go ahead and do it. They know that they are not going to get a mouthful from me if they make a mistake."

Difficulty: 2 Medium

Topic: Value of Strategic Leadership

Learning Objective: 01-05 The need for greater empowerment throughout the organization.

Bloom's: Analyze

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

89) The hierarchy of organizational goals is in the following order (least specific to most specific):

A) vision statements, strategic objectives, mission statements.

B) mission statements, strategic objectives, vision statements.

C) vision statements, mission statements, strategic objectives.

D) mission statements, vision statements, strategic objectives.

Answer: C

Explanation: Organizations express priorities best through stated goals and objectives that form a hierarchy of goals, which includes its vision, mission, and strategic objectives. What visions may lack in specificity, they make up for in their ability to evoke powerful and compelling mental images. On the other hand, strategic objectives tend to be more specific and provide a more direct means of determining if the organization is moving toward broader, overall goals.

Difficulty: 1 Easy

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-06 How awareness of a hierarchy of strategic goals can help an organization achieve coherence in strategic decisions.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

90) Vision statements are used to create a better understanding of the overall purpose and direction of the organization. Vision statements

A) are very specific.

B) provide specific objectives.

C) set organizational structure.

D) are massively inspiring.

Answer: D

Explanation: A vision is a goal that is massively inspiring, overarching, and long term.

Difficulty: 1 Easy

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-06 How awareness of a hierarchy of strategic goals can help an organization achieve coherence in strategic decisions.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

91) Effective vision statements include

A) all strategic directions of the organization.

B) a brief statement of the company's direction.

C) strategic posturing and future objectives.

D) financial objectives and projected figures.

Answer: B

Explanation: A vision is a goal that is massively inspiring, overarching, and long-term. It represents a destination that is driven by and evokes passion. What visions may lack in specificity, they make up for in their ability to evoke powerful and compelling mental images.

Difficulty: 2 Medium

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-06 How awareness of a hierarchy of strategic goals can help an organization achieve coherence in strategic decisions.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

92) WellPoint Health Network states: WellPoint will redefine our industry through a new generation of consumer-friendly products that put individuals back in control of their future. This is an example of a

A) strategic objective.

B) vision statement.

C) vague statement of direction.

D) line manager's individual goal.

Answer: B

Explanation: Effective visions provide a fundamental statement of the values, aspirations, and goals of an organization. Such visions go well beyond narrow financial objectives, of course, and strive to capture both the minds and hearts of employees.

Difficulty: 2 Medium

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-06 How awareness of a hierarchy of strategic goals can help an organization achieve coherence in strategic decisions.

Bloom's: Apply

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

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

A) values, aspirations, and goals

B) expected returns and limitations

C) outstanding debt

D) credibility

Answer: A

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

Difficulty: 2 Medium

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-06 How awareness of a hierarchy of strategic goals can help an organization achieve coherence in strategic decisions.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

94) In contrast to the vision of an organization, its mission should

A) be shorter in length.

B) encompass both the purpose of the company as well as the basis of competition.

C) encompass all the major rules and regulations of the corporate work force.

D) be less detailed.

Answer: B

Explanation: The mission statement of a company differs from its vision in that it encompasses both the purpose of the company as well as the basis of competition and competitive advantage.

Difficulty: 1 Easy

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-06 How awareness of a hierarchy of strategic goals can help an organization achieve coherence in strategic decisions.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

95) The vision and mission statements of a company set the overall direction of the organization. Strategic objectives serve what role?

A) operationalize the mission statement

B) modify the mission statement

C) are a shorter version of the mission statement

D) are only clarified by the board of directors

Answer: A

Explanation: Strategic objectives are used to operationalize the mission statement. That is, they help to provide guidance on how the organization can fulfill or move toward the higher goals in the goal hierarchy, that of the mission and vision.

Difficulty: 1 Easy

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-06 How awareness of a hierarchy of strategic goals can help an organization achieve coherence in strategic decisions.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

96) Successful organizations are effective in motivating people. Employees work best when

A) they are asked to do their best.

B) work requirements are vague and unclear.

C) they are striving toward specific goals.

D) they are guided by an abstract mission statement.

Answer: C

Explanation: Challenging objectives can help to motivate and inspire employees to higher levels of commitment and effort. Much research has supported the notion that people work harder when they are striving toward specific goals instead of being asked simply to do their best.

Difficulty: 2 Medium

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-06 How awareness of a hierarchy of strategic goals can help an organization achieve coherence in strategic decisions.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

97) Fortune Brands states they will cut corporate overhead costs by $30 million a year. This is an example of a

A) nonfinancial strategic objective.

B) financial strategic objective.

C) vision statement.

D) mission statement.

Answer: B

Explanation: Strategic objectives are used to operationalize the mission statement. This is an example of a financial strategic objective.

Difficulty: 2 Medium

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-06 How awareness of a hierarchy of strategic goals can help an organization achieve coherence in strategic decisions.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

98) Our goal is to help save 100,000 more lives each year. (Varian Medical Systems) This is an example of a

A) nonfinancial strategic objective.

B) financial strategic objective.

C) vision statement.

D) mission statement.

Answer: A

Explanation: Strategic objectives are used to operationalize the mission statement. This is an example of a nonfinancial strategic objective.

Difficulty: 2 Medium

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-06 How awareness of a hierarchy of strategic goals can help an organization achieve coherence in strategic decisions.

Bloom's: Apply

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

99) In large organizations, conflicts can arise between functional areas. In order to resolve these conflicts, strategic objectives

A) put financial objectives above human considerations.

B) align departments toward departmental goals.

C) help resolve conflicts through their common purpose.

D) cause debate and increase conflict.

Answer: C

Explanation: There is always the potential for different parts of an organization to pursue their own goals rather than overall company goals. Although well intentioned, these may work at cross-purposes to the organization as a whole. Meaningful objectives thus help to resolve conflicts when they arise.

Difficulty: 2 Medium

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-06 How awareness of a hierarchy of strategic goals can help an organization achieve coherence in strategic decisions.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

100) Which of the following is *not* an example of a financial strategic objective?

A) Increase sales growth 6 percent to 8 percent and accelerate core net earnings growth from 13 percent to 15 percent per share in each of the next 5 years. (Procter & Gamble)

B) Reduce volatile air emissions 15 percent by 2015 from 2010 base year, indexed to net sales. (3M)

C) Generate Internet-related revenue of $1.5 billion. (AutoNation)

D) Cut corporate overhead costs by $30 million per year. (Fortune Brands)

Answer: B

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

Difficulty: 2 Medium

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-06 How awareness of a hierarchy of strategic goals can help an organization achieve coherence in strategic decisions.

Bloom's: Apply

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

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

A) mission statements

B) vision statements

C) organization structure

D) objectives

Answer: D

Explanation: As we noted earlier in the chapter, there is always the potential for different parts of an organization to pursue their own goals rather than overall company goals. Although well intentioned, these may work at cross-purposes to the organization as a whole. Meaningful objectives thus help to resolve conflicts when they arise.

Difficulty: 2 Medium

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-06 How awareness of a hierarchy of strategic goals can help an organization achieve coherence in strategic decisions.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

102) Using Apple, Alphabet, or Microsoft, explain how strategic management has led the company to industry dominance. Discuss the vision/mission of the company, its corporate objectives, and the leadership qualities that support this company's strategy. Be sure to use specific numerical outcomes as proof of your evaluation.

Answer: Answers will vary.

Difficulty: 3 Hard

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-01 The definition of strategic management and its four key attributes.

Bloom's: Analyze

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

103) Do corporate mission statements really matter? Justify your response with concrete industry examples.

Answer: Answers will vary.

Difficulty: 3 Hard

Topic: Strategy and the Strategic Management Process

Learning Objective: 01-01 The definition of strategic management and its four key attributes.

Bloom's: Analyze

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

104) Explain how corporate governance mechanisms are used in the strategic management process. Illustrate the role of each stakeholder with industry examples.

Answer: Answers will vary.

Difficulty: 3 Hard

Topic: Corporate Governance

Learning Objective: 01-03 The strategic role of corporate governance and stakeholder management, as well as how "symbiosis" can be achieved among an organization's stakeholders.

Bloom's: Analyze

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

105) Why do organizations need three types of leaders (local line leaders, executive leaders, internal networkers)? Use industry examples to support your answer.

Answer: Answers will vary.

Difficulty: 2 Medium

Topic: Value of Strategic Leadership

Learning Objective: 01-05 The need for greater empowerment throughout the organization.

Bloom's: Evaluate

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

106) Strategic coherence is an essential element for assuring that a company's mission/vision is realized. Describe the factors that are involved in creating strategic coherence. Use an industry example to support your description and explain how the objectives meet the SMART criteria (Specific, Measurable, Appropriate, Realistic, Timely).

Answer: Answers will vary.

Difficulty: 3 Hard

Topic: The Roles of Vision, Mission, and Values in the Strategic Management Process

Learning Objective: 01-06 How awareness of a hierarchy of strategic goals can help an organization achieve coherence in strategic decisions.

Bloom's: Analyze

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

***Teaching Note:* Case 1 – Robin Hood**

# Case Objectives

1. To provide an introduction to the conceptual framework of strategic management using a non-business situation.
2. To introduce students to the process of problem identification and potential solution analysis that will be used in case discussions throughout the semester.

See the table below to determine where to use this case:

|  |  |
| --- | --- |
| **Chapter Use** | **Key Concepts** |
| 1: Strategy Concept | Leadership for strategic management; sustainable competitive advantage; vision, mission, strategic objectives; external environment; internal environment; efficiency vs. effectiveness; stakeholder management |

# Case Synopsis

Robin Hood and his Merry Men are now in trouble because wealthy travelers (their source of revenue) are avoiding the forest. As is often common in an entrepreneurial organization, the Merry Men were highly motivated by Robin Hood’s leadership. Therefore, Robin had previously relied on informal communication to organize and implement operations. Robin is pleased with the growing size and influence of his organization. However, growth has meant that specialized duties have begun taking up most of the men’s time, leaving a command vacuum between Robin and the first line recruits. In addition, they are now all located in a large encampment that can be seen for miles. This creates the probability of a surprise attack on their position. Growth has also put great pressures on resources, so now they must harvest the forest more thoroughly. Where will additional revenue come from? Rich travelers are avoiding the forest, so in desperation Robin is considering robbing the poorer travelers, which means his lieutenants must now tell their men to rob their brothers and fathers. What started as a rebellion is in danger of being routinized into banditry. Robin must therefore begin to evaluate the Merry Men’s mission in view of the changing environment. Should it still be an extension of his private grudges and aspirations? Has the organization acquired a new mission, if so what is it? Who are the key stakeholders here? On whose behalf should the organization formulate its mission?!

# Teaching Plan

Most students are familiar with the Robin Hood story, so it’s possible to ask them to read this short case in class during the 1st or 2nd class meeting. Either use the PowerPoint slides or ask the discussion questions directly. As students respond, either write answers on the board or refer to the PowerPoint slide answers.

It’s up to the instructor whether or not to assign Chapter 1 prior to discussing the case. If the case is read before the chapter is read, then the instructor has the option to ask students, when they do read the chapter, to identify the concepts in the chapter that they recognize from the case discussion and come to the next class prepared to share what they recognized. If the case is discussed after students have read Chapter 1, the instructor can ask students to identify what concepts apply from the chapter.

# Summary of Discussion Questions

Below is a list of the suggested discussion questions. You can decide which questions to assign and which additional readings or exercises to include to augment each discussion. Refer back to the Case Objectives Table to identify any additional readings and/or exercises so they can be assigned in advance.

1. What is the purpose of strategy?
2. What strategic problems does Robin Hood have?
3. What is the role of the organizational leader as strategist and articulator of global goals?
4. What are some issues in this organization’s external environment?
5. What is the relationship of the organization’s internal structure to its environment?
6. How do stakeholder values or culture influence strategy making?
7. What strategy can Robin Hood implement?

# Discussion Questions and Responses

# 

# Chapter 1: Introduction and Analyzing Goals and Objectives

1. ***What is the purpose of strategy?***

Strategy is all about the ideas, decisions, and actions that enable a firm to succeed. See Chapter 1, Exhibit 01: *Strategic management consists of the analyses, decisions, and actions an organization undertakes in order to create and sustain competitive advantages:*

* + strategy directs the organization toward overall goals and objectives;
  + includes multiple stakeholders in decision making;
  + incorporates both short-term and long-term perspectives;
  + recognizes trade-offs between efficiency and effectiveness.

Strategic management involves

* *Analysis* of strategic goals (vision, mission, strategic objectives), and of the internal and external environment;
* *Decisions - Formulation* about what industries to compete in and how to compete in those industries; and
* *Actions - Implementation* to allocate necessary resources and design the organization to bring intended strategies to reality.

An interesting question that the instructor can ask at this point is: *What business is Robin Hood’s organization in?* Some students might say philanthropy, some might say robbery. The answers to this question will help students understand the importance of vision and mission: the leader must have a clear idea of the purpose of the business, and with whom it competes, in order to craft strategy. If the business is robbery, there are different competitors, like highwaymen.

1. ***What strategic problems does Robin Hood have?***

If strategy is all about the ideas, decisions, and actions that enable a firm to succeed, what might Robin Hood need to assess as he ponders his likelihood of future success? As Robin Hood’s organization has grown, food resources are becoming scarce and it has encountered a profit squeeze: revenue is down and costs are rising. In addition, there are cracks in the culture of the organization; as the organizational membership has increased, discipline problems have emerged. The original business model of “robbing the rich and giving to the poor” appears to be no longer viable, and the “competition” from the Sheriff is growing stronger as the Sheriff increasingly uses his “alliances” and connections with Prince John to get better organized. In addition, “new entrants” into the Sherwood Forest environment, the barons, are proposing that Robin join with them to restore King Richard. If this happens, Robin Hood’s mission may no longer be relevant because the need to restore “justice” may no longer exist.

Issues that need to be addressed include:

* Has Sherwood Forest become too small to sustain operations?
* How to avoid detection of the now “major encampment”?
* What to do about the growing strength of the Sheriff’s forces?
* How to address organizational communications and redefine the leadership focus?

Decisions that need to be made include:

* Should Robin Hood impose a fixed transit tax in order to increase revenue?
* Should Robin Hood kill the Sheriff?
* Should Robin Hood accept the barons’ offer to join in freeing King Richard?

Consequences to be considered include:

* What might happen if Robin expanded operations beyond Sherwood Forest?
* Does the change in the external environment mean that the original mission is no longer valid?
* If Robin Hood decides to kill the Sheriff, accept the barons’ offer or impose a tax on travelers, how do each of those actions link to the original mission?
* If the mission changes, to what degree does Robin Hood have to worry about the loyalty of stakeholders?

If Robin Hood expands operations beyond Sherwood Forest, that may solve his revenue and resource problems, but it will create issues with organizational communications – he can’t keep track of his men now, so what will happen if the physical environment changes even further? Would his existing organizational structure still work with a larger group? It appears as if the changing conditions might also mean a shift in the original mission, especially if Robin decides to impose a fixed transit tax. Killing the Sheriff might satisfy Robin’s “personal thirst for revenge,” but it wouldn’t improve the situation, especially since someone else might take up the Sheriff’s role. Likewise, if Robin decided to align with the barons, his group would have to accept amnesty, and how many of his “men” would feel good about this? There was no assurance that the barons’ plan would work, plus this would require a real shift in overall mission from banditry to court political intrigue, and multiple stakeholders might object (how would the poor people feel?).

The major issue concerns the rapid growth of the organization and the changing external environmental conditions. In the space of two years the organization grew from fragmentation and obscurity to a strong regional presence. Competitive strategy is about *sustaining* a position in the industry. Growth implies that strategy has to be flexible enough to adapt. Does Robin have a *sustainable* strategy?

1. ***What is the role of the organizational leader as strategist and articulator of global goals?***

Leaders face a large number of complex challenges. Leaders must be proactive, anticipate change and continually refine changes to their strategies. This requires a certain level of “ambidextrous behavior”, where leaders are alert to opportunities beyond the confines of their own jobs, and are also cooperative and seek out opportunities to combine their efforts with others. Leaders must make strategic management both a process and a way of thinking throughout the organization.

See Chapter 1, Exhibit 06. The primary role of the organizational leader is to articulate vision, mission, and strategic objectives. Robin Hood needs to evaluate his initial *vision* of the organization’s purpose: what was the original goal that *evokes a powerful and compelling mental image of a shared future,* one that would bemassively inspiring, overarching, and long-term, that represented a destination that is driven by and evokes passion?Is the original vision irreconcilable with the present circumstances?

Robin Hood’s organizational mission may have to change: a *mission* encompasses both *the purpose of the company as well as the basis for competition and competitive advantages.* Organizations must respond to multiple constituencies – multiple stakeholders – if they are to survive and prosper, and the mission provides a means of communicating to these diverse organizational stakeholders.

If the vision and mission have to change, Robin Hood must establish *strategic objectives* to operationalize the mission statement. That is, objectives help *to operationalize the mission statement with specific yardsticks*, and they provide guidance on how the organization can fulfill or move toward the “higher goals” in the goal hierarchy—the mission and vision.

Therefore, Robin Hood needs to redefine the organizational vision and mission since it may have changed - rebellion may have become routinized into banditry. He must also identify the key stakeholders, broadening his focus beyond his own private grudge to include the needs of the district, the region, or the nation. And he must establish new goals and strategic objectives. Depending on the stakeholders, these new goals may include replacing the Sheriff or changing the political order. Robin should remember that short-term objectives can become essential components of a firm’s “action plan” and therefore can be critical in implementing the firm’s chosen strategy.

1. ***What are some issues in this organization’s external environment?***

Strategy analysis is the first step in the strategic management process. It precedes effective formulation and implementation of strategies, involves careful analysis of the overarching goals of the organization, and requires a thorough analysis of the organization’s external and internal environment. To begin with, Robin must take a look at the issues in the organization’s external environment.

There are obvious resource constraints. Sherwood Forest has finite resources: the inputs into the organization (travelers to rob) have dwindled, especially since the rich travelers have started avoiding it. Robin Hood’s band are spending past gains on present problems in the assumption that future revenues will continue to grow at the same pace as in the past. This assumption, one that is often pervasive in successful organizations, may be unwarranted. The Merry Men are reduced to robbing poorer travelers. The poor travelers are their mainstay of political support. Here is a common pitfall of success, the tendency of organizations to take their best and most important customers for granted, to extract from them the highest return for least effort in the belief that they have no practical alternative. In addition, trained manpower is scarce.

Regarding the physical environment, the current growth of the organization has created a large encampment that can be seen for miles, and is therefore now a target for attack. The nature of the Merry Men's environment and operations requires stealth and flexibility. The current physical facility does not provide for this.

1. ***What is the relationship of the organization’s internal structure to its environment?***

See the Chapter discussion of the *trade-offs between effectiveness and efficiency*. Given the growth of the operation and other changes in the external environment, Robin Hood’s previous structure may no longer be effective. He may no longer be able to achieve the goals of the organization. He might need to make trade-offs.

His current structure is functional, with each lieutenant a specialist. Communication has been informal, and Robin currently has no direct link to his first line recruits. This structure performed well in the early days of the band. However, with the growth of the organization, this has become problematic, resulting in lack of coordination.

Robin might want to consider a possible new structure: his lieutenants could do double time as staff and line personnel, fulfilling their staff duties in off-peak periods, but available for line duty during field operations. Robin might also want to consider creating a decentralized regional operation, with sub-bands who can operate out of smaller regional headquarters and better coordinate movements. This will increase flexibility of the total organization by moving the organizing of operations closer to those who undertake them. This will also reduce the chance of attack because then only part of the band might be detected and surprised. Decentralization also pushes food gathering down the line, thereby eliminating food distribution problems. Small-scale operations can be carried out with greater economy.

1. ***How do stakeholder values or culture influence strategy making?***

During strategic analysis, the leader does “advance work” to anticipate unforeseen environmental developments, identify unanticipated resource constraints, assess changes in his or her preferences for how to manage. During strategy formation, depending on the type of organization structure, the leader might include key individuals in a discussion around selecting which strategies might be best to implement at which level within the organization. In strategy implementation, the leader must ensure proper strategic controls and organizational design, and establish effective means to coordinate and integrate activities within the firm, as well as with suppliers, customers and alliance partners.

Therefore, leaders must pay attention to all stakeholder needs, including the group’s values and the organizational culture. See Chapter 1, Exhibit 05 for *the diverse stakeholder groups and the claims they make on the organization.*

Regarding the organizational culture, it was based on founding values that embraced a missionary outreach to the community. The original purpose created unity and a spirit of daring among the Merry Men. Robin is considering abandoning the higher (more affluent) segment of his market for a deeper exploitation of a very large segment with limited resources. Here he runs up against organizational traditions and values. If Robin pursues profit maximization now (robbing all travelers, including the poor), the group will become thieves. Group members will resist stealing from their brothers and fathers. The larger community of poor people, who originally supported the Merry Men, will now feel abandoned. Loyalty will be eroded. Robin needs to restore the group members’ and larger stakeholders’ need for order and purpose. The Merry Men might need to feel that their participation is quasi-voluntary. They may need to feel more involved in strategic decision making so they can see shared value in the organizational efforts.

1. ***What strategy can Robin Hood implement?***

The basic question strategic management tries to answer is: *How can we create competitive advantages in the marketplace that are not only unique and valuable but also difficult for competitors to copy or substitute?* Robin Hood must assess how functional areas and activities “fit together” to achieve goals and objectives.

If the organization is still Robin's extension of a personal grudge, then displacing the Sheriff should be the primary mission of the Merry Men. If the organization is acting on behalf of the district then replacing the Sheriff with a more benign administration should be the priority. If however the Merry Men's existence is an expression of widespread dissatisfaction with the present political order, then Robin should consider his potential contributions on a national scale. An analysis of the options confronting Robin ought to lead the students to question the criteria by which strategy is judged. Who is the actor in strategy? The chief executive officer? Top management? A coalition of stakeholders? There is clearly no theoretical answer to these questions. A discussion ought to set the ground for an appreciation of the political and structural forces under which strategy emerges.

Robin should have a meeting with the Merry Men to explain the strategic dilemma and long-term issues. He needs to increase organizational discipline, which could be done by creating a clearer organizational structure with strategic controls that enforce the mission. To do this, he needs to recruit qualified leaders for the new decentralized structure, and involve lieutenants in the solution. It is always an issue – which functions should be decentralized and which retained at the corporate level. In this case intelligence gathering and finance should probably be kept centralized.

It is crucial for the students to appreciate the contradictory pressures that implementation generates. The new decentralized structure will call for more intricate communication and command systems. It increases flexibility but also increases the probability of breakdown and mismanagement. In this case runners must keep the various sub-bands in communication. This is a primitive technology that may be insufficient to ensure coordination. An opportunity exists here for the students to appreciate to what extent sophisticated *organizational forms* are made possible by modern technologies, which are ordinarily taken for granted.

While restructuring is going on, Robin must begin to consider other aspects of his strategy. He should examine the possibility of diversifying beyond the confines of his traditional forest territory. This is viable if he is decentralized. Operations can be carried on in the countryside by the autonomous sub-bands. He must also resolve the issue of the proposed transit tax. What should be his relationship to the local population? Should he increase their burden of taxation, or not?

Robin must also prepare for the possibility of ceasing operations by providing outplacement training. He should pursue alliances beyond the current band of Merry Men, negotiating a possible change in the political order, negotiating amnesty, returning the band to legality. He should probably avoid contact with the Sheriff!

Finally, Robin should recognize that mistakes will occur. Therefore he should anticipate the costs of implementation, especially the problems of extended communication. Robin must familiarize his lieutenants with his intentions and the projected problems. They must actively become involved in the evolving implementation.

Ultimately, however, Robin Hood must consider the long-term course of action. If the Merry Men were a profit-maximizing organization in the classic sense they would be satisfied with keeping the Sheriff off balance; or perhaps work toward his replacement with a more inexperienced man. They are however a missionary organization. To pursue profit maximizing would sooner or later lead them to thievery, pure and simple. It would also undermine their unity and spirit of daring. Robin Hood has little choice but to increase his involvement in issues that lie beyond his immediate task environment.