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Chapter 02

Strategic Leadership: Managing the Strategy Process

Multiple Choice Questions

1. The Chief Executive Officer (CEO) of Yahoo, Marissa Mayer, maintains that if a company builds the best product possible, profits will come. Identify the phrase that represents the new vision she developed for Yahoo.

   A. to achieve human sustainability while having fun doing it
   B. to provide a high-quality product that has environmental sustainability
   C. to appeal to the whole person at work and at home
   D. to make the world's daily habits more inspiring and entertaining

2. The Chief Executive Officer (CEO) of Yahoo, Marissa Mayer, established a mission by building on her vision. Considering this, how did Mayer implement the mission of Yahoo?

   A. by making the user experience of the mobile Internet easy and fun
   B. by convincing employees to work with a purpose
   C. by making the mobile Internet an efficient tool for researchers
   D. by convincing employees to make the product more accessible

3. The first step in the strategic management process is to

   A. define a firm's vision, mission, and values.
   B. understand the strategies of the competitors.
   C. put the guiding policies of a firm into practice.
   D. develop functional and business-level strategies.

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4. Strategic leadership pertains to the use of power and influence by _____ to direct the activities of others when pursuing an organization's goals.

A. production workers
B. lower-level managers
C. external stakeholders
D. corporate executives

5. Free Winds, Inc. is a company that manufactures a variety of generators that run on wind power. The company wants to ensure that wind technology replaces all forms of exhaustible energy sources in the near future. Which of the following statements will make an accurate vision for Free Winds?

A. We make products that run on wind energy.
B. All nations around the globe should have access to a sustainable energy source.
C. The company aims to make working fun and pleasurable for its employees.
D. We provide energy-efficient sources and services by investing in research and innovation.

6. True Help is a nonprofit organization that works toward rehabilitating the homeless. The credo of the organization is "help us help you." For an organization like True Help, which of the following statements would make an appropriate mission?

A. Help us help you find a home.
B. One day, everyone in this nation will have a home to protect themselves.
C. We help the homeless gain and sustain financial independence by providing employment opportunities.
D. Our mission is to turn this not-for-profit organization into a for-profit organization so that the stakeholders are benefited.

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7. Strategic commitments are actions that are

A. inexpensive.
B. long-term oriented.
C. easy to reverse.
D. easy to imitate.

8. Visionary companies are able to outperform their competitors because

A. their vision statements are more product-oriented.
B. they provide more aspirational visions.
C. their visions are exclusively financial.
D. they isolate internal stakeholders in defining their visions.

9. To be effective, firms need to

A. back up their visions with strategic commitments that are costly and difficult to reverse.
B. increase their strategic flexibility by developing product-oriented vision statements.
C. isolate top managers from the organizational values.
D. pursue visions that are exclusively financial and not aspirational.

10. What is the strategic management process?

A. The CEO decides who the product managers will be for a company.
B. The CEO defines the main problems facing a company.
C. Strategic leaders design a method to formulate and implement strategy.
D. Strategic leaders focus on creating a vision that reflects the company's strategy.

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11. What is strategic leadership?

A. the ability to delegate authority to create an effective strategic management process
B. the executives' use of power and influence to direct the activities of others when pursuing an organization's goals
C. the ability to inspire managers and other employees to create the best product possible
D. the executives' use of power and influence to inspire workers to take responsibility for the final product

12. Strategic commitments are actions that are

A. inexpensive, long-term oriented, and difficult to reverse.
B. inexpensive, short-term oriented, and easy to reverse.
C. costly, long-term oriented, and difficult to reverse.
D. costly, short-term oriented, and easy to reverse.

13. Which of the following examples reflects the strongest vision?

A. At Fuentes Electronics, many employees get paid well but do not feel their work is important.
B. At Fuentes Electronics, all employees are motivated to make the best microwave ovens on the market.
C. At Fuentes Electronics, most employees want to create a better microwave oven than their closest competitor.
D. At Fuentes Electronics, some employees do not understand the main goal of the company.

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14. Which of the following summarizes the difference between a firm's vision and mission?

A. A vision states what a firm wants to accomplish; a mission states how a firm plans to accomplish this vision.
B. A vision states the ethical values of a firm; a mission states the monetary goals of a firm.
C. A vision states how much a firm wants to earn; a mission states how these earnings will be accomplished.
D. A vision states the management values of a firm; a mission states the values of the other workers.

15. Which of the following is an example of a product-oriented vision statement?

A. Andrea, Ltd. wants to adapt their picture frames to the changing demands of consumers.
B. Andrea, Ltd. wants to always satisfy the consumers who purchase picture frames.
C. Andrea, Ltd. wants to provide the best benefits for employees in the picture-frame industry.
D. Andrea, Ltd. wants to be the best manufacturer of picture frames in the industry.

16. A customer-oriented vision statement focuses employees to think about how best to

A. make a product easier to use.
B. increase their efficiency for consumers.
C. improve a popular product.
D. solve a problem for a consumer.

17. Why is it better for firms to keep their vision statements customer-oriented rather than product-oriented?

A. Customer-oriented visions tend to have a more short-range view of changing environments.
B. Customer-oriented visions tend to have a more myopic view of changing environments.
C. Customer-oriented visions tend to be more flexible when adapting to changing environments.
D. Customer-oriented visions tend to be more stable when dealing with changing environments.

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18. Customer-oriented visions do *not*

A. leave open the means to of how to meet a need.
B. define a business according to solutions.
C. define how a customer need will be met.
D. provide companies with a competitive advantage.

19. Which of the following statements about product-oriented visions is true?

A. They tend to force managers to take a myopic view of the landscape.
B. They allow companies to effectively adapt to changing environments.
C. They define a business in terms of providing solutions to customers.
D. They allow firms to take a need-based approach to their goals.

20. Handy Pro, Inc. is a company that manufactures electric tools like drills, screwdrivers, and saws. Which of the following best illustrates a product-oriented vision for Handy Pro?

A. to make people's lives simple and easy
B. to allow everyone to have the luxury of electric tool technology
C. to help people save time and energy spent using manual tools
D. to be the pioneering manufacturer of electric tools

21. Which of the following statements is true of customer-oriented visions?

A. Customer-oriented visions identify how a customer need will be met.
B. Customer-oriented vision statements are not the same as listening to your customer.
C. Customer-oriented visions reduce a company's ability to adapt to a changing environment.
D. Customer-oriented visions define a business in terms of goods or services provided.

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22. Which of the following is a customer-oriented vision?

A. to be the most progressive insurance company
B. to be the best automobile company in the world
C. to enable people throughout the globe to identify their capabilities
D. to manufacture innovative products through continuous learning

23. Pioneer Pharma Inc. and GH Medicines Corp. are two competing firms in the pharmaceutical industry. While Pioneer Pharma Inc.'s vision is "to be a preeminent drug manufacturer in the industry," GH Medicines Corp.'s vision is "to make good health a reality for everyone around the world." Which of the following is an implication of these different visions?

A. GH Medicines' vision is more product-oriented than the vision of Pioneer Pharma.
B. Pioneer Pharma is more likely to have a positive relationship between its vision and firm performance than GH Medicines.
C. Pioneer Pharma's vision is more long-term and futuristic than GH Medicines' vision.
D. GH Medicines will be more flexible than Pioneer Pharma when adapting to changing environments.

24. A positive relationship between vision statements and firm performance is more likely to exist when

A. visions are product-oriented.
B. internal stakeholders are isolated from defining and revising the visions.
C. organizational structures are aligned with the firm's vision statement.
D. vision statements are equivalent to listening to the customers.

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25. Which of the following is an example of an organizational value?

A. Burtell Oil, Inc. increases the inspection of pipelines above the legal requirement to prevent oil spills.
B. Burtell Oil, Inc. lowers gas prices to gain an advantage over their closest competitor.
C. Burtell Oil, Inc. finances research for finding oil deposits within the United States.
D. Burtell Oil, Inc. launches an ad campaign that promotes the company as being environmentally friendly.

26. How do strong ethical values benefit a firm?

A. They lay the groundwork for a quick increase of profits and short-term success.
B. They serve as the guardrails put in place to keep the company on track when pursuing its mission.
C. They provide strong public relations, which can either benefit or hinder competitive advantage.
D. They emphasize benefiting employees by significantly increasing profit.

27. The management of Wong Industries showed a commitment to _____ by increasing the salary of many female employees to meet its goal of having equal pay for women and men who perform comparable work.

A. scenario planning
B. upper-echelons theory
C. product-oriented vision
D. organizational values

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28. _____ are best described as the ethical standards and norms that govern the behavior of individuals within a firm.

A. Job descriptions
B. Customs duties
C. Corrective controls
D. Organizational values

29. Organizational values are the _____ that govern the behavior of individuals within a firm or organization.

A. economic measures
B. ethical standards and norms
C. political principles and policies
D. social beliefs and actions

30. When do employees fail to adopt the organizational values of a firm?

A. when the internal stakeholders of the firm are involved in designing the values
B. when the top managers in the firm are merely paying lip service to the firm's stated values
C. when the strategic leaders in the firm propagate and exhibit the same values
D. when the organizational structure, such as its strategic decision making, is aligned with its values

31. Organizational values help individuals make choices that are

A. legal but unethical.
B. both illegal and effective.
C. both ethical and effective in advancing a company's goals.
D. ethical but ineffective in achieving long-term success.

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32. Executives whose vision and actions enable their organizations to achieve competitive advantage demonstrate

A. top-down strategic planning.
B. functional strategy.
C. strategic leadership.
D. dominant strategic planning.

33. The CEO of Juliet Computers was the child of parents who had difficulty making enough money to support their family. As a result, he and his siblings did not have access to many advantages that children from wealthier families had. This CEO, therefore, emphasized making affordable computers that could be bought by low-income households. Which of the following does this example demonstrate?

A. dominant strategic planning
B. Level-5 leadership pyramid
C. upper-echelons theory
D. scenario planning

34. Which of the following is an accurate description of a Level 1 manager?

A. an individual who works effectively with others to achieve synergies and team objectives
B. a highly capable individual who makes productive contributions through motivation, talent, knowledge, and skills
C. an individual who "does things right," is an effective team player, and organizes resources effectively to achieve predetermined goals
D. an individual who is an effective strategic leader that builds enduring greatness into the organizations he or she leads

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35. As the CEO of a conglomerate, Juana Mark exhibited her strong commitment toward the company's core value that customers' well-being is more important than profit when she decided to liquidate the company's tobacco subsidiary. The tobacco brand sold by her company was a major revenue earner in lesser-developed nations. However, Juana believed that her company had to be responsible toward society. In this scenario, Juana has demonstrated

A. strategic leadership.
B. intrapreneurship.
C. Machiavellianism.
D. individualism.

36. The pharmaceutical company Merck's new drug Vioxx was a blockbuster, generating revenues of $2.5 billion a year by 2002 and growing fast. When allegations began to appear in the medical community, Merck announced the voluntary withdrawal of Vioxx from the market. In this example, Merck provides an example of what can happen if a company deviates from its

A. voluntary responsibilities.
B. realized strategy.
C. core values.
D. strategic decisions.

37. The _____ is a conceptual framework that views organizational outcomes—strategic choices and performance levels—as reflections of the values of the members of the top management team, who interpret situations through the lens of their unique perspectives.

A. two-factor theory
B. expectancy theory
C. upper-echelons theory
D. value orientation theory

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38. According to the upper-echelons theory, the organizational outcomes of a company primarily reflect the values of the

A. production workers in the company.
B. CEO of the company.
C. housekeeping staff in the company.
D. external stakeholders of the company.

39. According to the Level-5 leadership pyramid, a manager in Level 1 typically

A. makes productive contributions through motivation, talent, knowledge, and skills.
B. works effectively with others to achieve synergies and team objectives.
C. presents compelling vision and mission to guide groups toward superior performance.
D. builds enduring greatness into the organizations he or she leads.

40. Jorge is part of a sales team. He effectively coordinates his tasks with others in the team and willingly contributes to their efforts in achieving the team's objectives. Thus, Jorge is in _____ of the Level-5 leadership pyramid.

A. Level 5
B. Level 4
C. Level 3
D. Level 2

41. According to the Level-5 leadership pyramid, a manager at Level 3 has acquired the ability to

A. organize resources effectively to accomplish predetermined goals.
B. build enduring greatness into the organizations he or she leads.
C. identify the vision and the mission of the company.
D. justify unethical activities as legal and ethical.

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42. Jason is a manager. His colleagues and subordinates look up to him as a man who always does the right things. Along with other skills, his ability to effectively organize and deploy resources like man power, material, and money has been appreciated by his seniors. According to the Level-5 leadership pyramid, which of the following levels would be the immediate next step for Jason?

A. Level 2
B. Level 3
C. Level 4
D. Level 5

43. Trung has been an employee with PureEnergy Inc. for 15 years. He started with an entry-level job, and today he is a manager of an entire division. Over the years, Trung has acquired a reputation for doing the right things in the company. Hence, as an efficient leader, he is capable of effectively communicating and motivating his subordinates to work toward the company's vision and mission. According to the Level-5 leadership pyramid, which is the highest level of leadership Trung has reached so far?

A. Level 5
B. Level 4
C. Level 3
D. Level 2

44. According to the Level-5 leadership pyramid, a manager turns into an executive who is capable of building lasting greatness into the organization through a combination of willpower and humility when he or she reaches

A. Level 5.
B. Level 3.
C. Level 2.
D. Level 1.

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45. During an assessment of employees and leaders in a company, Ethan Browne was categorized as a Level 5 manager in the Level-5 leadership pyramid. Which of the following can be inferred from this information?

A. Ethan is currently a team lead in the company.
B. Ethan shows no signs of being a good leader.
C. Ethan is a top management executive in the company.
D. Ethan has just started his career as a member of a team in the company.

46. Which of the following managers in the Level-5 leadership pyramid are most capable of leading their organizations into great success by guiding the organizations toward building a sustainable competitive advantage?

A. Level 1
B. Level 2
C. Level 3
D. Level 5

47. Which of the following best describes a Level 5 manager in the Level-5 leadership pyramid?

A. Connie is an employee who just started her career at DK Inc.; she has already been appreciated for her knowledge and skills in the new company.
B. Dmitri is an employee at Infinite Circle Inc.; he has helped his team achieve their targets by contributing to the team's efforts.
C. Luigi is part of the marketing team at RT Corp.; he has been given the charge of managing a team of three, so he will be promoted to a manager's position next month.
D. Asoka is the CEO of Green Machines Inc.; he has helped his company in gaining and sustaining a competitive advantage through ethical decision making.

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48. Which of the following summarizes the difference between corporate strategy and business strategy?

A. Corporate strategy deals with how to compete; business strategy deals with where to compete.
B. Corporate strategy deals with when to compete; business strategy deals with how to compete.
C. Corporate strategy deals with how to compete; business strategy deals with when to compete.
D. Corporate strategy deals with where to compete; business strategy deals with how to compete.

49. The management team at Clear Solutions, Inc. decided to build a branch office in Memphis, Tennessee. Which of the following terms correctly describes this action?

A. strategy formulation
B. strategy implementation
C. execution of strategy
D. business strategy

50. Corporate executives at LikeReal, Inc. decide to compete in the remote model airplane industry by making the largest model planes available. By doing this, they completed part of their

A. implementation strategy.
B. corporate strategy.
C. functional strategy.
D. business strategy.

51. The CEO of Sam's Club, Rosalind Brewer, reports to Walmart's CEO, C. Douglas McMillon, who as corporate executive oversees Walmart's entire operations. Sam's Club, therefore, is a _____ of Walmart.

A. corporate partner
B. strategic business unit
C. branch office
D. house brand manufacturer

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52. As a part of strategy formulation, corporate strategy concerns questions relating to

A. why we should compete.
B. how to compete.
C. where to compete.
D. how to implement the business strategy.

53. The CEO of True West Products Inc. (TWP) is a company that sells a wide range of products. It has decided to enter the markets of emerging nations like China and Brazil. This means that the cars, consumer electronics, and services such as hotels included under the TWP banner would be made available in these nations. Which of the following strategies does this scenario best illustrate?

A. corporate strategy
B. functional strategy
C. business strategy
D. divisional strategy

54. As a part of strategy formulation, a firm's functional strategy primarily concerns questions relating to

A. where to compete.
B. when to compete.
C. how to implement business strategy.
D. how to enter target markets.

55. In a large company, who is most responsible for devising the corporate strategy?

A. the CEO of the company
B. the lower-level employees in the company
C. the head of the production department in the company
D. the human resource manager in the company

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56. Which of the following statements is true of corporate strategy?

A. The objective of corporate-level strategy is to ensure that the sum of the values of individual business units is greater than the overall corporate value.
B. A corporate strategy must be able to create synergies across business units that are quite different.
C. Formulating a corporate strategy involves general managers answering questions relating to how to compete in order to achieve superior performance.
D. Deciding whether to adopt a differentiation or a cost-leadership strategy is part of formulating the corporate strategy.

57. Bauer Inc. is a company that manufactures plastics, fertilizers, tractors, and headphones under a single brand. The top management at Bauer has decided to enter the medical equipment industry based on its assessment of the profit potential in that industry. Which of the following strategies does this best illustrate?

A. corporate strategy
B. business strategy
C. functional strategy
D. divisional strategy

58. Due to political instability in the country of United Mapa, the strategic leaders at the headquarters of FT Supplies Inc. have decided to divest the company's business from the foreign market in United Mapa. This decision would be applicable to all the business units of FT Supplies Inc. operating in United Mapa. Thus, this is a

A. business strategy.
B. divisional strategy.
C. functional strategy.
D. corporate strategy.

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59. A(n) _____ is best described as a stand-alone division of a larger conglomerate, with its own profit-and-loss responsibility.

A. corporation
B. strategic business unit
C. affiliate company
D. functional department

60. Which of the following best illustrates a strategic business unit (SBU)?

A. The human resource department of a large company that is responsible for hiring employees for all its divisional branches
B. The consumer electronics division of a large company that also manufactures automobiles, apparel, and processed food
C. The product development team at the headquarters of a fast-food chain
D. The market segment which can be categorized between the income levels $10,000 and $25,000

61. A company's strategic business unit

A. does not need to adopt the overall corporate strategy.
B. is responsible for its own profit and loss.
C. is a division solely created to design strategies during turbulent times.
D. decides which industries and markets to compete in for an entire conglomerate.

62. Who among the following is responsible for making business strategies in a large conglomerate?

A. the board of directors at the headquarters
B. the shareholder of the company
C. the lower-level employees in the company
D. the general managers of individual business units

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63. Blue Billion Inc. is a large company that sells a variety of products such as cosmetics, jewelry, frozen foods, navigation electronics, and airplanes. Apart from this, the company also has a strong presence in the service industry through its chain of dance studios, casinos, and nightclubs. Each of its product divisions operates as an individual business and is responsible for its own profits and losses. Thus, these product divisions under Blue Billion can be referred to as

A. limited liability companies.
B. functional departments.
C. strategic business units.
D. corporations.

64. Which of the following strategies best illustrates a generic business strategy?

A. A cost-cutting strategy that corporate executives in the headquarters want all business units of a large conglomerate to implement
B. A strategy to use monetary incentives to motivate employees working on a project
C. A decision to computerize a firm's database in order to improve customer service
D. A decision to niche market the jewelry sold by a company while the apparel division under the same company sells its products through mass marketing

65. Which of the following functions do the general managers in strategic business units primarily perform?

A. design generic business strategies based on guidelines received from corporate headquarters
B. set overarching strategic objectives to unify the entire conglomerate under one mission
C. take responsibility for decisions and actions within a single functional area
D. allocate scarce resources among different business divisions

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66. T & R Autos Inc. is a large conglomerate that operates in 12 different countries. The corporate executives at the headquarters have decided that the company's objective for the next two years will be to increase its customer equity. Based on this guideline received from the top management team, the product leader of the home appliances division has decided to adopt a cost-leadership strategy in all his 12 units. Thus, the decision made by the product leader best illustrates a _____ strategy.

A. corporate
B. functional
C. grand
D. business

67. The regional head for Creative Design Inc. in Boratania has decided to sell the company's products directly through company-owned stores because the distribution system in the market is primitive. In six other markets, however, the company will continue to operate through a franchise system. Thus, this decision made by the regional head at Boratania will be considered as a _____ strategy.

A. corporate
B. tactical
C. functional
D. business

68. White Leo Autos manufactures and markets four different cars: Leo Sport, Leo Prestige, Leo Spark, and Leo Ease. These four product variants are operated as individual business units. While the product leaders of Leo Sport, Leo Prestige, and Leo Spark have adopted a differentiation strategy to attract the niche market: the product leader of Leo Ease follows a cost-leadership strategy to suit the mass market. This decision of the product leader of Leo Ease can be ideally categorized as a _____ strategy.

A. corporate
B. functional
C. business
D. tactical

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69. To implement specific business strategies, general managers of strategic business units rely on

A. external stakeholders.
B. corporate executives.
C. strategic leaders.
D. functional managers.

70. Strategies developed at the departmental level, such as the accounting, human resources, production, and marketing departments, within a strategic business unit are referred to as _____ strategies.

A. grand
B. corporate
C. business
D. functional

71. _____ are primarily responsible for decisions and actions within their respective departments like finance, human resources, marketing, and production in a strategic business unit.

A. Functional managers
B. Corporate executives
C. Strategic leaders
D. General managers

72. Green Rabbit Products Inc. (GRP) is a large conglomerate. The human resources department of its telecom division has decided to reduce its employee turnover by encouraging internal promotions. Which of the following strategies does this scenario best illustrate?

A. corporate strategy
B. business strategy
C. functional strategy
D. grand strategy

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73. The production department at Coral Cements that is a subsidiary of the large conglomerate Five East Corp. has decided to adopt the FIFO (first in, first out) method of inventory to dispatch its cement bags. Which of the following strategies does this scenario best illustrate?

A. functional strategy
B. corporate strategy
C. master strategy
D. business strategy

74. Which of the following strategies best illustrates a functional strategy?

A. The CEO of Sunrise Companies Inc. has decided that the company will be entering the European market.
B. The general manager of a product division of Pickford Products Inc. has decided that 30 percent of the division's annual profits will be invested in research and development.
C. The regional manager for the military electronics division of Holden & Co. has decided that the division will pursue backward integration to save costs.
D. The production manager at the apparel division of Wilder Style Co. has decided that the department will hire contract workers for three months to meet the temporary demand.

75. Which of the following happens during the analysis stage of scenario planning?

A. formulation of responses to scenarios
B. development of different strategic plans
C. identification of possible future scenarios
D. execution of the dominant strategic plan

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76. How are the two approaches, strategic planning and scenario planning, different from the strategy-as-planned-emergence approach?

A. Strategy as a planned emergence model was introduced before strategic planning and scenario planning.
B. Unlike strategic planning and scenario planning, strategy as a planned emergence model does not begin with a strategic plan.
C. Relative to strategic planning and scenario planning, strategy as a planned emergence model is a less formal and less stylized approach to the development of strategy.
D. Unlike strategic planning and scenario planning, strategy as a planned emergence model is a rational top-down planning approach.

77. In the top-down strategic planning approach, all strategic intelligence and decision-making responsibilities rest primarily on the

A. functional managers.
B. chief executive officer.
C. external stakeholders.
D. general manager.

78. _____ is best described as a rational process in which executives at a company's headquarters take primary responsibility to program future success of the company they lead.

A. Bottom-up strategic approach
B. Top-down strategic planning
C. Reverse mentoring
D. Emergent strategic plan

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79. Which of the following statements is true of top-down strategic planning?

A. Information flows both ways in the process, from the upper management to the lower management and also the other way around.
B. In this process, the formulation of strategy is separate from implementation.
C. Employees at the operation level have major responsibility in strategizing for competitive advantage.
D. The process is based on the assumption that the past cannot be used to predict the future.

80. A traditional top-down strategic planning process typically begins with

A. employees at the operational level identifying problems within an organization.
B. functional managers formulating functional strategies for their respective departments.
C. strategic leaders adjusting a company's vision and mission based on environmental analysis.
D. employees who have close contact with customers taking autonomous actions.

81. Which of the following is an assumption that top-down strategic planning rests on?

A. We can predict the future from the past.
B. Time cannot be compressed at will.
C. Decisions made in the past do not affect our future.
D. Change is constant.

82. Top-down strategic planning works best when the

A. events in the future are highly unpredictable.
B. past cannot be used to predict the future.
C. lower-level employees in an organization are highly empowered.
D. environment does not change much.

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83. Which of the following is a top-down approach to the development of strategy that involves asking "what if" questions to anticipate plausible futures?

A. top-down strategic planning
B. bottom-up strategic thinking
C. scenario planning
D. reverse mentoring

84. The executives at Red Couture Inc. are developing strategic plans to address plausible future situations like rise in the prices of cotton and synthetic fabrics by 20 percent, appreciation in the value of the dollar, increase in the cost of labor by 30 percent, and increase in demand for the company's products. By doing so, the company will be well prepared with its planned responses if any of these situations occurs in the future. Thus, Red Couture is employing _____ as the approach to the development of strategy.

A. scenario planning
B. top-down strategic planning
C. reverse engineering
D. pattern recognition

85. Which of the following methods of developing a strategy best illustrates scenario planning?

A. Based on the previous year's profits, the CEO of Solva Inc. decided to adopt an expansion strategy in its home market.
B. A sales personnel of MP Foods Inc. suggested that the company should introduce an organic version of its gelato to cater to the needs of the increasing health-conscious population.
C. The managers at Lyon Clothing Inc. formulated a strategy to tackle any increase in the prices of cotton in the future.
D. The CEO of BCT Inc., a large conglomerate, has decided to enter the South American market based on the competitor's success in the same market.

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86. Which of the following statements accurately brings out the difference between top-down strategic planning and scenario planning?

A. While in top-down strategic planning a top-down approach is used to develop strategies, in scenario planning a bottom-up approach is used.
B. Scenario planning helps create strategic plans that are more flexible, and thus more effective, than those created through the more static strategic planning approach.
C. While top-down strategic planning takes place at both the corporate and business levels of strategy, scenario planning takes place only at the corporate level.
D. Top-down strategic planning addresses only pessimistic futures, whereas scenario planning addresses only optimistic futures.

87. Scenario planning typically begins with managers

A. developing different strategic plans to address possible future scenarios.
B. building a portfolio of future strategic options.
C. executing a dominant strategic plan.
D. brainstorming to identify multiple plausible futures.

88. A(n) _____ is best described as the strategic option that top managers decide most closely matches the current reality and which is then executed.

A. bottom-up emergent strategy
B. executive summary
C. realized strategy
D. dominant strategic plan

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89. Strategic flexibility is achieved when managers

A. choose to keep their vision statements more product-oriented rather than customer-oriented.
B. respond to reality changes by activating alternate dominant plans or modifying the old plan.
C. implement static top-down strategic planning approach to the development of strategy.
D. overlook pessimistic future scenarios and only prepare for optimistic futures.

90. The critics of top-down strategic planning and scenario planning argue that

A. the strategies developed through these approaches are primarily based on an inspirational vision and not on hard data.
B. these approaches do not believe that we can predict the future from the past.
C. the development of strategies through these approaches is highly dependent on experience of front-line employees.
D. these approaches do not allow for the necessary strategic thinking.

91. Strategic thinking is different from strategic planning in that

A. strategic thinking includes all types of information sources while strategic planning does not.
B. strategic thinking relies more on hard data than strategic planning.
C. strategic thinking is regimented and confining, whereas strategic planning is more flexible.
D. strategic thinking can create an illusion of control, whereas strategic planning avoids this.

92. An intended strategy is best described as

A. a combination of its top-down strategic intentions and bottom-up emergent strategy.
B. any unplanned strategic initiative undertaken by mid-level employees of their own volition.
C. the outcome of a rational and structured, top-down strategic plan.
D. a strategy developed at the lower levels of management to tackle unpredictable events.

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93. After carefully assessing the market potential for hybrid motorcycles, it was decided at the corporate headquarters of HyCycles Inc. that the company would be launching a hybrid version of all its motorcycle models within the next two years. This would mean that each strategic business unit under the company would be involving in its own research and development efforts. Which of the following strategies in the planned emergence model does this best illustrate?

A. intended strategy
B. emergent strategy
C. unrealized strategy
D. tactical strategy

94. When parts of a firm's intended strategy fall by the wayside due to unpredictable events, it turns into a(n) _____ strategy.

A. tactical
B. dominant
C. emergent
D. unrealized

95. Unrealized strategy is when parts of a firm's intended strategy is

A. nonfunctional due to unexpected events.
B. not revealed to the lower-level employees.
C. implemented and controlled by front-line employees.
D. planned to tackle some unforeseen events.

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96. Molly Hue Apparels Inc. (MHA) had been outsourcing its production to less-developed countries in order to reduce its cost of production. With the emergence of its competitor, Hova Inc., MHA lost its competitive advantage. Hova had its production units in its home country that allowed the company to bring out the latest trends to the market earlier than MHA. Also, MHA frequently suffered due to political instability and lack of intellectual property laws in the outsourced countries. Thus, parts of MHA's strategies became obsolete and it had to relocate its production. What are such obsolete strategies referred to as in the planned emergence model?

A. intended strategy
B. emergent strategy
C. unrealized strategy
D. tactical strategy

97. Any unplanned strategic initiative undertaken by mid-level employees of their own volition is a(n)

A. dominant strategic plan.
B. unrealized strategy.
C. emergent strategy.
D. intended strategy.

98. Unplanned strategic initiatives taken by the _____ within an organization will be referred to as an emergent strategy.

A. suppliers and vendors of the organization
B. shareholders of the organization
C. team leads of project teams in the organization
D. corporate executives in the organization's headquarters

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99. The production head at the canned juice unit of True Candy Inc. would frequently stay back after office hours and experiment with new organic hard candy flavors even though this was part of the new product development team's job. As a result of these experiments, he came up with two new flavors of organic hard candy, raspberry-apricot and strawberry-apple. After rigorous test marketing, which proved that the market would accept the new candy, the product variants were successfully launched. Which of the following strategies does this scenario best illustrate?

A. intended strategy
B. emergent strategy
C. unrealized strategy
D. tactical strategy

100. A _____ is best described as any activity a firm pursues to explore and develop new products and processes, new markets, or new ventures.

A. strategic initiative
B. value chain
C. supply chain
D. corrective action

101. Which of the following statements is true of strategic initiatives?

A. Strategic initiatives can be the result of a response to external trends or come from internal sources.
B. When lower-level employees are less empowered, the possibility of strategic initiatives is higher.
C. Strategic initiatives result from top-down planning by executives and not through a bottom-up process.
D. Random events and accidental happenstances reduce the possibility of strategic initiatives in organizations.

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102. Teddiez Inc. is a company that manufactures and sells stuffed toys. It sources its materials from another country to keep costs low. A sales personnel in one of its retail stores noticed that there was increasing concern regarding the potential toxicity of the materials in the dolls. In response, she found an economical, organic, and nontoxic cloth filling that the company could use. When her manager learned about this, he presented the prospect and got it approved from the top management team. This is an example of the

A. top-down strategic planning approach.
B. planned emergence approach.
C. scenario planning process.
D. reverse engineering process.

103. To support the rise of emergent strategies, an organization should

A. centralize decision making and all other activities.
B. empower lower-level employees to take up autonomous actions.
C. limit serendipity that is in the form of random events and accidental happenstances.
D. rely solely on hard data to formulate strategies.

104. Which of the following reasons justifies the view that functional managers should be allowed to initiate strategic initiatives based on autonomous actions?

A. Functional managers have more control and power in the organization than corporate executives.
B. Functional managers are much closer to the final products, services, and customers than corporate- or business-level managers.
C. Functional managers have a bigger role in identifying a company's vision and mission than the strategic leaders.
D. Functional managers are Level 5 managers in the Level-5 leadership pyramid when compared to the executives who are at Level 4.

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105. In Strategy Highlight 2.2, what type of strategy did Diana, the Starbucks store manager in southern California, use to develop the new iced beverage for her store?

A. She used a rational planning approach to strategy planning.
B. She created a dominant strategy plan.
C. She used scenario planning.
D. She used an emergent strategy.

106. Understanding the Resource Allocation Process (RAP) will have large effects on shaping a firm's realized strategy. Which of the following is an example of such an allocation of resources?

A. Starbucks' launch of iced drinks
B. Teach For America's mission statement
C. Merck's voluntary withdrawal of Vioxx from the market
D. Intel's rule to "maximize margin-per-wafer-start"

107. _____ is best described as a strategy process in which organizational structure and systems allow bottom-up strategic initiatives to emerge and be evaluated and coordinated by top management.

A. Planned emergence
B. Scenario planning
C. Top-down strategic planning
D. Reverse engineering

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108. A company uses the planned emergence approach in the development of its strategies. Which of the following is an implication of this?

A. The employees will be isolated from the process of setting the company's vision and mission.
B. The lower-level employees will be restricted to the tasks involved in strategic implementation.
C. The company's organizational structure and systems will be designed to support bottom-up strategic initiatives.
D. The top management will create a strategy that is based on hard data alone, rather than an inspiring vision.

109. Top-down strategic planning as an approach to the strategic management process will be most effective when the

A. environment is constantly changing.
B. size of the firm is large.
C. probability of black swan events is high.
D. top management wants to decentralize decision making.

110. Lower-level employees focus mainly on _____ when a firm is using top-down or scenario planning as an approach to the strategic management process.

A. strategy formulation
B. strategy analysis
C. strategy implementation
D. strategy initiation

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Chapter 02 Strategic Leadership: Managing the Strategy Process Answer Key

Multiple Choice Questions

1. The Chief Executive Officer (CEO) of Yahoo, Marissa Mayer, maintains that if a company builds the best product possible, profits will come. Identify the phrase that represents the new vision she developed for Yahoo.

A. to achieve human sustainability while having fun doing it
B. to provide a high-quality product that has environmental sustainability
C. to appeal to the whole person at work and at home
D. to make the world's daily habits more inspiring and entertaining

Vision is a statement about what an organization ultimately wants to accomplish; it captures the company's aspiration. Marissa Mayer, the CEO of Yahoo, declared Yahoo's vision to be "to make the world's daily habits more inspiring and entertaining." By developing this vision, she helped to reinvigorate Yahoo's employees and get its customers excited again. Mayer's vision attempts to inspire Yahoo's employees to resume leadership in online advertising.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 Describe the roles of vision, mission, and values in the strategic management process.
Topic: Vision, Mission, and Values

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2. The Chief Executive Officer (CEO) of Yahoo, Marissa Mayer, established a mission by building on her vision. Considering this, how did Mayer implement the mission of Yahoo?

A. by making the user experience of the mobile Internet easy and fun
B. by convincing employees to work with a purpose
C. by making the mobile Internet an efficient tool for researchers
D. by convincing employees to make the product more accessible

Building on the vision, organizations establish a mission, which describes what an organization actually does—that is, the products and services it plans to provide, and the markets in which it will compete. Mission describes what an organization does; it defines the means "by" which vision is accomplished. Marissa Mayer, the CEO of Yahoo, built on her vision by establishing a mission that involves making the user experience of the mobile Internet easy and fun.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-01 Describe the roles of vision, mission, and values in the strategic management process.
Topic: Vision, Mission, and Values

3. The first step in the strategic management process is to

A. define a firm's vision, mission, and values.
B. understand the strategies of the competitors.
C. put the guiding policies of a firm into practice.
D. develop functional and business-level strategies.

The first step in the strategic management process is to define a firm's vision, mission, and values. With these guiding principles in place, strategic leaders consider how to formulate strategy across different levels: corporate, business, and functional.

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Difficulty: 1 Easy

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Learning Objective: 02-01 Describe the roles of vision, mission, and values in the strategic management process.
Topic: Vision, Mission, and Values

4. Strategic leadership pertains to the use of power and influence by _____ to direct the activities of others when pursuing an organization's goals.

A. production workers
B. lower-level managers
C. external stakeholders
D. corporate executives

Strategic leadership pertains to executives' use of power and influence to direct the activities of others when pursuing an organization's goals.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 Describe the roles of vision, mission, and values in the strategic management process.
Topic: Vision, Mission, and Values

5. Free Winds, Inc. is a company that manufactures a variety of generators that run on wind power. The company wants to ensure that wind technology replaces all forms of exhaustible energy sources in the near future. Which of the following statements will make an accurate vision for Free Winds?

A. We make products that run on wind energy.
B. All nations around the globe should have access to a sustainable energy source.
C. The company aims to make working fun and pleasurable for its employees.
D. We provide energy-efficient sources and services by investing in research and innovation.

"In the future, all nations around the globe should have access to a sustainable energy source." will make an accurate vision statement for Free Winds Inc. An effective vision talks about what an organization ultimately wants to accomplish; it captures the company's aspiration.

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Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-01 Describe the roles of vision, mission, and values in the strategic management process.
Topic: Vision, Mission, and Values

6. True Help is a nonprofit organization that works toward rehabilitating the homeless. The credo of the organization is "help us help you." For an organization like True Help, which of the following statements would make an appropriate mission?

A. Help us help you find a home.
B. One day, everyone in this nation will have a home to protect themselves.
C. We help the homeless gain and sustain financial independence by providing employment opportunities.
D. Our mission is to turn this not-for-profit organization into a for-profit organization so that the stakeholders are benefited.

Building on the vision, organizations establish a mission, which describes what an organization actually does—that is, the products and services it plans to provide, and the markets in which it will compete. "We help the homeless gain and sustain financial independence by providing employment opportunities." would make an appropriate mission for True Help.

AACSB: Knowledge Application
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Difficulty: 2 Medium
Learning Objective: 02-01 Describe the roles of vision, mission, and values in the strategic management process.
Topic: Vision, Mission, and Values

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7. Strategic commitments are actions that are

A. inexpensive.
B. long-term oriented.
C. easy to reverse.
D. easy to imitate.

To be effective, firms need to back up their visions and missions with strategic commitments, actions that are costly, long-term-oriented, and difficult to reverse. The company's vision is backed up by a powerful strategic commitment. Without such commitments, a firm's vision and mission statements are just words.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 Describe the roles of vision, mission, and values in the strategic management process.
Topic: Vision, Mission, and Values

8. Visionary companies are able to outperform their competitors because

A. their vision statements are more product-oriented.
B. they provide more aspirational visions.
C. their visions are exclusively financial.
D. they isolate internal stakeholders in defining their visions.

An inspiring vision helps employees find meaning in their work, beyond monetary rewards. It allows employees to experience a greater sense of purpose and taps into people's intrinsic motivations to make the world a better place through their work activities. Visionary companies provide more aspirational ideas that are not exclusively financial.

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Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 Describe the roles of vision, mission, and values in the strategic management process.
Topic: Vision, Mission, and Values

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9. To be effective, firms need to

A. back up their visions with strategic commitments that are costly and difficult to reverse.
B. increase their strategic flexibility by developing product-oriented vision statements.
C. isolate top managers from the organizational values.
D. pursue visions that are exclusively financial and not aspirational.

To be effective, firms need to back up their visions and missions with strategic commitments, actions that are costly, long-term-oriented, and difficult to reverse.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 Describe the roles of vision, mission, and values in the strategic management process.
Topic: Vision, Mission, and Values

10. What is the strategic management process?

A. The CEO decides who the product managers will be for a company.
B. The CEO defines the main problems facing a company.
C. Strategic leaders design a method to formulate and implement strategy.
D. Strategic leaders focus on creating a vision that reflects the company's strategy.

The strategic management process is a method put in place by strategic leaders to formulate and implement a strategy.

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Difficulty: 1 Easy
Learning Objective: 02-01 Describe the roles of vision, mission, and values in the strategic management process.
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11. What is strategic leadership?

A. the ability to delegate authority to create an effective strategic management process
B. the executives' use of power and influence to direct the activities of others when pursuing an organization's goals
C. the ability to inspire managers and other employees to create the best product possible
D. the executives' use of power and influence to inspire workers to take responsibility for the final product

Strategic leadership is the executives' use of power and influence to direct the activities of others when pursuing an organization's goals.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 Describe the roles of vision, mission, and values in the strategic management process.
Topic: Vision, Mission, and Values

12. Strategic commitments are actions that are

A. inexpensive, long-term oriented, and difficult to reverse.
B. inexpensive, short-term oriented, and easy to reverse.
C. costly, long-term oriented, and difficult to reverse.
D. costly, short-term oriented, and easy to reverse.

Strategic commitments are actions that are costly, long-term oriented, and difficult to reverse.

AACSB: Knowledge Application
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Difficulty: 1 Easy
Learning Objective: 02-01 Describe the roles of vision, mission, and values in the strategic management process.
Topic: Vision, Mission, and Values

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13. Which of the following examples reflects the strongest vision?

A. At Fuentes Electronics, many employees get paid well but do not feel their work is important.
B. At Fuentes Electronics, all employees are motivated to make the best microwave ovens on the market.
C. At Fuentes Electronics, most employees want to create a better microwave oven than their closest competitor.
D. At Fuentes Electronics, some employees do not understand the main goal of the company.

A strong vision pervades the organization with a sense of winning and motivates employees at all levels to aim for the same target. Therefore, all employees at Fuentes Electronics being motivated to make the best microwaves ovens on the market reflects a strong vision. Also, a vision captures an organization's aspiration and spells out what it ultimately wants to accomplish. In addition, it helps employees find meaning in their work.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
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Difficulty: 2 Medium
Learning Objective: 02-01 Describe the roles of vision, mission, and values in the strategic management process.
Topic: Vision, Mission, and Values

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14. Which of the following summarizes the difference between a firm's vision and mission?

A. A vision states what a firm wants to accomplish; a mission states how a firm plans to accomplish this vision.
B. A vision states the ethical values of a firm; a mission states the monetary goals of a firm.
C. A vision states how much a firm wants to earn; a mission states how these earnings will be accomplished.
D. A vision states the management values of a firm; a mission states the values of the other workers.

A vision defines what an organization wants to accomplish ultimately. A mission describes how the vision is accomplished.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-01 Describe the roles of vision, mission, and values in the strategic management process.
Topic: Vision, Mission, and Values

15. Which of the following is an example of a product-oriented vision statement?

A. Andrea, Ltd. wants to adapt their picture frames to the changing demands of consumers.
B. Andrea, Ltd. wants to always satisfy the consumers who purchase picture frames.
C. Andrea, Ltd. wants to provide the best benefits for employees in the picture-frame industry.
D. Andrea, Ltd. wants to be the best manufacturer of picture frames in the industry.

Product-oriented vision statements focus employees on improving existing products and services without consideration of underlying customer or employee problems to be solved.

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Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-01 Describe the roles of vision, mission, and values in the strategic management process.
Topic: Vision, Mission, and Values

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16. A customer-oriented vision statement focuses employees to think about how best to

A. make a product easier to use.
B. increase their efficiency for consumers.
C. improve a popular product.
D. solve a problem for a consumer.

A customer-oriented vision statement focuses employees to think about how best to solve a problem for a consumer.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 Describe the roles of vision, mission, and values in the strategic management process.
Topic: Vision, Mission, and Values

17. Why is it better for firms to keep their vision statements customer-oriented rather than product-oriented?

A. Customer-oriented visions tend to have a more short-range view of changing environments.
B. Customer-oriented visions tend to have a more myopic view of changing environments.
C. Customer-oriented visions tend to be more flexible when adapting to changing environments.
D. Customer-oriented visions tend to be more stable when dealing with changing environments.

Customer-oriented visions tend to be more flexible when adapting to changing environments.

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Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 Describe the roles of vision, mission, and values in the strategic management process.
Topic: Vision, Mission, and Values

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18. Customer-oriented visions do *not*

A. leave open the means to of how to meet a need.
B. define a business according to solutions.
C. define how a customer need will be met.
D. provide companies with a competitive advantage.

Customer-oriented visions identify a critical need but leave open the means of how to meet that need. Therefore, they do not define how a customer need will be met. Customer needs may change, and the *means* of meeting those needs can change.

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Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 Evaluate the strategic implications of product-oriented and customer-oriented vision statements.
Topic: Vision, Mission, and Values

19. Which of the following statements about product-oriented visions is true?

A. They tend to force managers to take a myopic view of the landscape.
B. They allow companies to effectively adapt to changing environments.
C. They define a business in terms of providing solutions to customers.
D. They allow firms to take a need-based approach to their goals.

Product-oriented vision defines a business in terms of a good or service provided. Product-oriented visions tend to force managers to take a myopic view of the landscape.

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Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 Evaluate the strategic implications of product-oriented and customer-oriented vision statements.
Topic: Vision, Mission, and Values

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20. Handy Pro, Inc. is a company that manufactures electric tools like drills, screwdrivers, and saws. Which of the following best illustrates a product-oriented vision for Handy Pro?

A. to make people's lives simple and easy
B. to allow everyone to have the luxury of electric tool technology
C. to help people save time and energy spent using manual tools
D. to be the pioneering manufacturer of electric tools

"To be the pioneering manufacturer of electric tools" best illustrates a product-oriented vision for Handy Pro, Inc. A product-oriented vision defines a business in terms of a good or service provided.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-02 Evaluate the strategic implications of product-oriented and customer-oriented vision statements.
Topic: Vision, Mission, and Values

21. Which of the following statements is true of customer-oriented visions?

A. Customer-oriented visions identify how a customer need will be met.
B. Customer-oriented vision statements are not the same as listening to your customer.
C. Customer-oriented visions reduce a company's ability to adapt to a changing environment.
D. Customer-oriented visions define a business in terms of goods or services provided.

It is important not to confuse customer-oriented vision statements with listening to the customer. They are not the same thing. Customer-oriented visions identify a critical need but leave open the means of how to meet that need.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 Evaluate the strategic implications of product-oriented and customer-oriented vision statements.
Topic: Vision, Mission, and Values

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22. Which of the following is a customer-oriented vision?

A. to be the most progressive insurance company
B. to be the best automobile company in the world
C. to enable people throughout the globe to identify their capabilities
D. to manufacture innovative products through continuous learning

A customer-oriented vision defines a business in terms of providing solutions to customer needs. The statement "to enable people throughout the globe to identify their capabilities" is a customer-oriented vision.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 Evaluate the strategic implications of product-oriented and customer-oriented vision statements.
Topic: Vision, Mission, and Values

23. Pioneer Pharma Inc. and GH Medicines Corp. are two competing firms in the pharmaceutical industry. While Pioneer Pharma Inc.'s vision is "to be a preeminent drug manufacturer in the industry," GH Medicines Corp.'s vision is "to make good health a reality for everyone around the world." Which of the following is an implication of these different visions?

A. GH Medicines' vision is more product-oriented than the vision of Pioneer Pharma.
B. Pioneer Pharma is more likely to have a positive relationship between its vision and firm performance than GH Medicines.
C. Pioneer Pharma's vision is more long-term and futuristic than GH Medicines' vision.
D. GH Medicines will be more flexible than Pioneer Pharma when adapting to changing environments.

Companies that have customer-oriented visions tend to be more flexible when adapting to changing environments. In contrast, companies that define themselves based on product-oriented statements tend to be less flexible and thus more likely to fail.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation

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Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-02 Evaluate the strategic implications of product-oriented and customer-oriented vision statements.
Topic: Vision, Mission, and Values

24. A positive relationship between vision statements and firm performance is more likely to exist when

A. visions are product-oriented.
B. internal stakeholders are isolated from defining and revising the visions.
C. organizational structures are aligned with the firm's vision statement.
D. vision statements are equivalent to listening to the customers.

A positive relationship between vision statements and firm performance is more likely to exist under certain circumstances: if the visions are customer-oriented, if internal stakeholders are invested in defining and revising the visions, and if organizational structures such as compensation systems are aligned with the firm's vision statement.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 Evaluate the strategic implications of product-oriented and customer-oriented vision statements.
Topic: Vision, Mission, and Values

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25. Which of the following is an example of an organizational value?

A. Burtell Oil, Inc. increases the inspection of pipelines above the legal requirement to prevent oil spills.
B. Burtell Oil, Inc. lowers gas prices to gain an advantage over their closest competitor.
C. Burtell Oil, Inc. finances research for finding oil deposits within the United States.
D. Burtell Oil, Inc. launches an ad campaign that promotes the company as being environmentally friendly.

Organizational values are the ethical standards and norms that govern the behavior of individuals within a firm or organization. By increasing the inspection of pipelines, Burtell Oil, Inc. is acting on an ethical standard and thus an organizational value.

AACSB: Ethics
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-03 Explain why anchoring a firm in ethical core values is essential for long-term success.
Topic: Vision, Mission, and Values

26. How do strong ethical values benefit a firm?

A. They lay the groundwork for a quick increase of profits and short-term success.
B. They serve as the guardrails put in place to keep the company on track when pursuing its mission.
C. They provide strong public relations, which can either benefit or hinder competitive advantage.
D. They emphasize benefiting employees by significantly increasing profit.

Strong ethical values have two important functions. First, they form a solid foundation on which a firm can build its vision and mission, and thus lay the groundwork for long-term success. Second, values serve as the guardrails put in place to keep the company on track when pursuing its vision and mission in its quest for competitive advantage.

AACSB: Ethics
Accessibility: Keyboard Navigation

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Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-03 Explain why anchoring a firm in ethical core values is essential for long-term success.
Topic: Vision, Mission, and Values

27. The management of Wong Industries showed a commitment to _____ by increasing the salary of many female employees to meet its goal of having equal pay for women and men who perform comparable work.

A. scenario planning
B. upper-echelons theory
C. product-oriented vision
D. organizational values

Equal pay for women and men employees for comparable work is an organizational value. The management of Wong Industries showed a commitment to this value by increasing the salary of many female employees.

AACSB: Ethics
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-03 Explain why anchoring a firm in ethical core values is essential for long-term success.
Topic: Vision, Mission, and Values

28. _____ are best described as the ethical standards and norms that govern the behavior of individuals within a firm.

A. Job descriptions
B. Customs duties
C. Corrective controls
D. Organizational values

Organizational values are the ethical standards and norms that govern the behavior of individuals within a firm or organization.

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Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-03 Explain why anchoring a firm in ethical core values is essential for long-term success.
Topic: Vision, Mission, and Values

29. Organizational values are the _____ that govern the behavior of individuals within a firm or organization.

A. economic measures
B. ethical standards and norms
C. political principles and policies
D. social beliefs and actions

Organizational values are the ethical standards and norms that govern the behavior of individuals within a firm or organization.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-03 Explain why anchoring a firm in ethical core values is essential for long-term success.
Topic: Vision, Mission, and Values

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30. When do employees fail to adopt the organizational values of a firm?

A. when the internal stakeholders of the firm are involved in designing the values
B. when the top managers in the firm are merely paying lip service to the firm's stated values
C. when the strategic leaders in the firm propagate and exhibit the same values
D. when the organizational structure, such as its strategic decision making, is aligned with its values

Without commitment and involvement from top managers, any statement of values remains merely a public relations exercise. Employees tend to follow values practiced by strategic leaders. They observe the day-to-day decisions of top managers and quickly decide whether managers are merely paying lip service to the company's stated values.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-03 Explain why anchoring a firm in ethical core values is essential for long-term success.
Topic: Vision, Mission, and Values

31. Organizational values help individuals make choices that are

A. legal but unethical.
B. both illegal and effective.
C. both ethical and effective in advancing a company's goals.
D. ethical but ineffective in achieving long-term success.

Organizational values help individuals make choices that are both ethical and effective in advancing the company's goals.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-03 Explain why anchoring a firm in ethical core values is essential for long-term success.
Topic: Vision, Mission, and Values

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32. Executives whose vision and actions enable their organizations to achieve competitive advantage demonstrate

A. top-down strategic planning.
B. functional strategy.
C. strategic leadership.
D. dominant strategic planning.

Executives whose vision and actions enable their organizations to achieve competitive advantage demonstrate strategic leadership.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Outline how managers become strategic leaders.
Topic: Strategic Leadership

33. The CEO of Juliet Computers was the child of parents who had difficulty making enough money to support their family. As a result, he and his siblings did not have access to many advantages that children from wealthier families had. This CEO, therefore, emphasized making affordable computers that could be bought by low-income households. Which of the following does this example demonstrate?

A. dominant strategic planning
B. Level-5 leadership pyramid
C. upper-echelons theory
D. scenario planning

Upper-echelons theory is a conceptual framework that views organizational outcomes—strategic choices and performance levels—as reflections of the values of the members of the top management team, who interpret situations through the lens of their unique perspectives. The values of the CEO of Juliet Computers influenced organizational outcomes, specifically making affordable computers that could be bought by low-income households.

AACSB: Analytical Thinking

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Accessibility: Keyboard Navigation
Blooms: Analyze
Difficulty: 3 Hard
Learning Objective: 02-04 Outline how managers become strategic leaders.
Topic: Strategic Leadership

34. Which of the following is an accurate description of a Level 1 manager?

A. an individual who works effectively with others to achieve synergies and team objectives
B. a highly capable individual who makes productive contributions through motivation, talent, knowledge, and skills
C. an individual who "does things right," is an effective team player, and organizes resources effectively to achieve predetermined goals
D. an individual who is an effective strategic leader that builds enduring greatness into the organizations he or she leads

The Level 1 manager is a highly capable individual who makes productive contributions through motivation, talent, knowledge, and skills.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Outline how managers become strategic leaders.
Topic: Strategic Leadership

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35. As the CEO of a conglomerate, Juana Mark exhibited her strong commitment toward the company's core value that customers' well-being is more important than profit when she decided to liquidate the company's tobacco subsidiary. The tobacco brand sold by her company was a major revenue earner in lesser-developed nations. However, Juana believed that her company had to be responsible toward society. In this scenario, Juana has demonstrated

A. strategic leadership.
B. intrapreneurship.
C. Machiavellianism.
D. individualism.

In this scenario, Juana has demonstrated strategic leadership. Executives whose vision and actions enable their organizations to achieve competitive advantage demonstrate strategic leadership—the behaviors and styles of executives that influence others to achieve the organization's vision and mission.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-04 Outline how managers become strategic leaders.
Topic: Strategic Leadership

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36. The pharmaceutical company Merck's new drug Vioxx was a blockbuster, generating revenues of $2.5 billion a year by 2002 and growing fast. When allegations began to appear in the medical community, Merck announced the voluntary withdrawal of Vioxx from the market. In this example, Merck provides an example of what can happen if a company deviates from its

A. voluntary responsibilities.
B. realized strategy.
C. core values.
D. strategic decisions.

In Strategy Highlight 2.1, the pharmaceutical company Merck provides an example of how values can drive strategic decision making, and what can happen if a company deviates from its core values. Organizational values serve as the guardrails put in place to keep the company on track when pursuing its vision and mission in its quest for competitive advantage.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-03 Explain why anchoring a firm in ethical core values is essential for long-term success.
Topic: Vision, Mission, and Values

37. The _____ is a conceptual framework that views organizational outcomes—strategic choices and performance levels—as reflections of the values of the members of the top management team, who interpret situations through the lens of their unique perspectives.

A. two-factor theory
B. expectancy theory
C. upper-echelons theory
D. value orientation theory

The upper-echelons theory is a conceptual framework that views organizational outcomes—strategic choices and performance levels—as reflections of the values of the members of the top management team, who interpret situations through the lens of their unique perspectives.

AACSB: Knowledge Application

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Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Outline how managers become strategic leaders.
Topic: Strategic Leadership

38. According to the upper-echelons theory, the organizational outcomes of a company primarily reflect the values of the

A. production workers in the company.
B. CEO of the company.
C. housekeeping staff in the company.
D. external stakeholders of the company.

According to the upper-echelons theory, organizational outcomes including strategic choices and performance levels reflect the values of the top management team (the individuals at the upper echelons, or levels, of an organization).

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 Outline how managers become strategic leaders.
Topic: Strategic Leadership

39. According to the Level-5 leadership pyramid, a manager in Level 1 typically

A. makes productive contributions through motivation, talent, knowledge, and skills.
B. works effectively with others to achieve synergies and team objectives.
C. presents compelling vision and mission to guide groups toward superior performance.
D. builds enduring greatness into the organizations he or she leads.

In the level-5 leadership pyramid, a level 1 manager is a highly capable individual who makes productive contributions through motivation, talent, knowledge, and skills.

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Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Outline how managers become strategic leaders.
Topic: Strategic Leadership

40. Jorge is part of a sales team. He effectively coordinates his tasks with others in the team and willingly contributes to their efforts in achieving the team's objectives. Thus, Jorge is in _____ of the Level-5 leadership pyramid.

A. Level 5
B. Level 4
C. Level 3
D. Level 2

Jorge is currently at Level 2 of the Level-5 leadership pyramid. The Level 2 manager masters the skills required at Level 1, but is also a contributing team member who works effectively with others to achieve synergies and team objectives.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-04 Outline how managers become strategic leaders.
Topic: Strategic Leadership

41. According to the Level-5 leadership pyramid, a manager at Level 3 has acquired the ability to

A. organize resources effectively to accomplish predetermined goals.
B. build enduring greatness into the organizations he or she leads.
C. identify the vision and the mission of the company.
D. justify unethical activities as legal and ethical.

The Level 3 manager of the Level-5 leadership pyramid is a well-rounded and highly capable manager, who "does things right." He or she is an effective team player and organizes resources effectively to achieve predetermined goals.

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Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Outline how managers become strategic leaders.
Topic: Strategic Leadership

42. Jason is a manager. His colleagues and subordinates look up to him as a man who always does the right things. Along with other skills, his ability to effectively organize and deploy resources like man power, material, and money has been appreciated by his seniors. According to the Level-5 leadership pyramid, which of the following levels would be the immediate next step for Jason?

A. Level 2
B. Level 3
C. Level 4
D. Level 5

According to the Level-5 leadership pyramid, the next step for Jason would be Level 4. The Level 3 manager is a well-rounded and highly capable manager, who "does things right." He or she is an effective team player and organizes resources effectively to achieve predetermined goals. At Level 4, the effective Level 3 manager becomes a leader who determines what the right decisions are.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Analyze
Difficulty: 3 Hard
Learning Objective: 02-04 Outline how managers become strategic leaders.
Topic: Strategic Leadership

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43. Trung has been an employee with PureEnergy Inc. for 15 years. He started with an entry-level job, and today he is a manager of an entire division. Over the years, Trung has acquired a reputation for doing the right things in the company. Hence, as an efficient leader, he is capable of effectively communicating and motivating his subordinates to work toward the company's vision and mission. According to the Level-5 leadership pyramid, which is the highest level of leadership Trung has reached so far?

A. Level 5
B. Level 4
C. Level 3
D. Level 2

Trung has reached Level 4 of the Level-5 leadership pyramid so far. At Level 4, the effective Level 3 manager becomes a leader who determines what the right decisions are. The Level 4 manager effectively communicates a compelling vision and mission to guide the firm toward superior performance. He or she "does the right things."

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Analyze
Difficulty: 3 Hard
Learning Objective: 02-04 Outline how managers become strategic leaders.
Topic: Strategic Leadership

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44. According to the Level-5 leadership pyramid, a manager turns into an executive who is capable of building lasting greatness into the organization through a combination of willpower and humility when he or she reaches

A. Level 5.
B. Level 3.
C. Level 2.
D. Level 1.

According to the Level-5 leadership pyramid, the Level 5 manager reaches a leadership pinnacle, turning into a strategic leader. An effective strategic leader is an executive that builds enduring greatness into the organizations he or she leads.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Outline how managers become strategic leaders.
Topic: Strategic Leadership

45. During an assessment of employees and leaders in a company, Ethan Browne was categorized as a Level 5 manager in the Level-5 leadership pyramid. Which of the following can be inferred from this information?

A. Ethan is currently a team lead in the company.
B. Ethan shows no signs of being a good leader.
C. Ethan is a top management executive in the company.
D. Ethan has just started his career as a member of a team in the company.

Ethan is a top management executive in the company. According to the Level-5 leadership pyramid, a Level 5 manager reaches a leadership pinnacle, turning into a strategic leader. An effective strategic leader is an executive that builds enduring greatness into the organizations he or she leads.

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Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-04 Outline how managers become strategic leaders.
Topic: Strategic Leadership

46. Which of the following managers in the Level-5 leadership pyramid are most capable of leading their organizations into great success by guiding the organizations toward building a sustainable competitive advantage?

A. Level 1
B. Level 2
C. Level 3
D. Level 5

According to the Level-5 leadership pyramid, the Level 5 manager reaches a leadership pinnacle, turning into a strategic leader. An effective strategic leader is an executive that builds enduring greatness into the organizations he or she leads.

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Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Outline how managers become strategic leaders.
Topic: Strategic Leadership

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47. Which of the following best describes a Level 5 manager in the Level-5 leadership pyramid?

A. Connie is an employee who just started her career at DK Inc.; she has already been appreciated for her knowledge and skills in the new company.
B. Dmitri is an employee at Infinite Circle Inc.; he has helped his team achieve their targets by contributing to the team's efforts.
C. Luigi is part of the marketing team at RT Corp.; he has been given the charge of managing a team of three, so he will be promoted to a manager's position next month.
D. Asoka is the CEO of Green Machines Inc.; he has helped his company in gaining and sustaining a competitive advantage through ethical decision making.

Asoka who is the CEO of Green Machines Inc. is a Level 5 manager in the Level-5 leadership pyramid. In the Level-5 leadership pyramid, the Level 5 manager reaches a leadership pinnacle, turning into a strategic leader. An effective strategic leader is an executive who builds enduring greatness into the organizations he or she leads.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-04 Outline how managers become strategic leaders.
Topic: Strategic Leadership

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48. Which of the following summarizes the difference between corporate strategy and business strategy?

A. Corporate strategy deals with how to compete; business strategy deals with where to compete.
B. Corporate strategy deals with when to compete; business strategy deals with how to compete.
C. Corporate strategy deals with how to compete; business strategy deals with when to compete.
D. Corporate strategy deals with where to compete; business strategy deals with how to compete.

Corporate strategy concerns questions relating to where to compete in terms of industry, markets, and geography. *Business strategy* concerns the question of how to compete.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-05 Describe the roles of corporate, business, and functional managers in strategy formulation and implementation.
Topic: Strategic Leadership

49. The management team at Clear Solutions, Inc. decided to build a branch office in Memphis, Tennessee. Which of the following terms correctly describes this action?

A. strategy formulation
B. strategy implementation
C. execution of strategy
D. business strategy

Strategy formulation concerns the choice of strategy in terms of where and how to compete. By deciding to build a branch office in Memphis, Tennessee, the management team of Clear Solutions, Inc. decided where to compete.

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Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-05 Describe the roles of corporate, business, and functional managers in strategy formulation and implementation.
Topic: Strategic Leadership

50. Corporate executives at LikeReal, Inc. decide to compete in the remote model airplane industry by making the largest model planes available. By doing this, they completed part of their

A. implementation strategy.
B. corporate strategy.
C. functional strategy.
D. business strategy.

Business strategy deals with differentiation, such as making a product that is in some way different from the product of competitors. LikeReal, Inc. is doing this by making the largest model planes available.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-05 Describe the roles of corporate, business, and functional managers in strategy formulation and implementation.
Topic: Strategic Leadership

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51. The CEO of Sam's Club, Rosalind Brewer, reports to Walmart's CEO, C. Douglas McMillon, who as corporate executive oversees Walmart's entire operations. Sam's Club, therefore, is a _____ of Walmart.

A. corporate partner
B. strategic business unit
C. branch office
D. house brand manufacturer

Strategic business units, or SBUs, are the stand-alone divisions of a larger conglomerate, each with its own profit-and-loss responsibility. Sam's Club is the SBU of Walmart.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Analyze
Difficulty: 3 Hard
Learning Objective: 02-05 Describe the roles of corporate, business, and functional managers in strategy formulation and implementation.
Topic: Strategic Leadership

52. As a part of strategy formulation, corporate strategy concerns questions relating to

A. why we should compete.
B. how to compete.
C. where to compete.
D. how to implement the business strategy.

As a part of strategy formulation, corporate strategy concerns questions relating to where to compete (industry, markets, and geography).

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-05 Describe the roles of corporate, business, and functional managers in strategy formulation and implementation.
Topic: Strategic Leadership

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53. The CEO of True West Products Inc. (TWP) is a company that sells a wide range of products. It has decided to enter the markets of emerging nations like China and Brazil. This means that the cars, consumer electronics, and services such as hotels included under the TWP banner would be made available in these nations. Which of the following strategies does this scenario best illustrate?

A. corporate strategy
B. functional strategy
C. business strategy
D. divisional strategy

The given scenario of True West Products Inc. (TWP) describes a corporate strategy. Corporate strategy concerns questions relating to where to compete (industry, markets, and geography). Corporate executives at headquarters formulate corporate strategy.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-05 Describe the roles of corporate, business, and functional managers in strategy formulation and implementation.
Topic: Strategic Leadership

54. As a part of strategy formulation, a firm's functional strategy primarily concerns questions relating to

A. where to compete.
B. when to compete.
C. how to implement business strategy.
D. how to enter target markets.

As a part of strategy formulation, functional strategy concerns the question of how to implement business strategy.

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Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-05 Describe the roles of corporate, business, and functional managers in strategy formulation and implementation.
Topic: Strategic Leadership

55. In a large company, who is most responsible for devising the corporate strategy?

A. the CEO of the company
B. the lower-level employees in the company
C. the head of the production department in the company
D. the human resource manager in the company

Corporate executives at headquarters formulate corporate strategy. Corporate executives need to decide in which industries, markets, and geographies their companies should compete.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-05 Describe the roles of corporate, business, and functional managers in strategy formulation and implementation.
Topic: Strategic Leadership

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56. Which of the following statements is true of corporate strategy?

A. The objective of corporate-level strategy is to ensure that the sum of the values of individual business units is greater than the overall corporate value.
B. A corporate strategy must be able to create synergies across business units that are quite different.
C. Formulating a corporate strategy involves general managers answering questions relating to how to compete in order to achieve superior performance.
D. Deciding whether to adopt a differentiation or a cost-leadership strategy is part of formulating the corporate strategy.

Corporate executives at headquarters formulate corporate strategy. They need to formulate a strategy that can create synergies across business units that may be quite different, and determine the boundaries of the firm by deciding whether to enter certain industries and markets and whether to sell certain divisions.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-05 Describe the roles of corporate, business, and functional managers in strategy formulation and implementation.
Topic: Strategic Leadership

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57. Bauer Inc. is a company that manufactures plastics, fertilizers, tractors, and headphones under a single brand. The top management at Bauer has decided to enter the medical equipment industry based on its assessment of the profit potential in that industry. Which of the following strategies does this best illustrate?

A. corporate strategy
B. business strategy
C. functional strategy
D. divisional strategy

Corporate executives at headquarters formulate corporate strategy. They need to formulate a strategy that can create synergies across business units that may be quite different, and determine the boundaries of the firm by deciding whether to enter certain industries and markets and whether to sell certain divisions.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-05 Describe the roles of corporate, business, and functional managers in strategy formulation and implementation.
Topic: Strategic Leadership

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58. Due to political instability in the country of United Mapa, the strategic leaders at the headquarters of FT Supplies Inc. have decided to divest the company's business from the foreign market in United Mapa. This decision would be applicable to all the business units of FT Supplies Inc. operating in United Mapa. Thus, this is a

A. business strategy.
B. divisional strategy.
C. functional strategy.
D. corporate strategy.

Corporate executives at headquarters formulate corporate strategy. They need to formulate a strategy that can create synergies across business units that may be quite different, and determine the boundaries of the firm by deciding whether to enter certain industries and markets and whether to sell certain divisions.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-05 Describe the roles of corporate, business, and functional managers in strategy formulation and implementation.
Topic: Strategic Leadership

59. A(n) _____ is best described as a stand-alone division of a larger conglomerate, with its own profit-and-loss responsibility.

A. corporation
B. strategic business unit
C. affiliate company
D. functional department

Business strategy occurs within strategic business units, or SBUs, the stand-alone divisions of a larger conglomerate, each with its own profit-and-loss responsibility.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation

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Access Complete Test Bank for Strategic Management 3rd Rothaermel

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-05 Describe the roles of corporate, business, and functional managers in strategy formulation and implementation.
Topic: Strategic Leadership

60. Which of the following best illustrates a strategic business unit (SBU)?

A. The human resource department of a large company that is responsible for hiring employees for all its divisional branches
B. The consumer electronics division of a large company that also manufactures automobiles, apparel, and processed food
C. The product development team at the headquarters of a fast-food chain
D. The market segment which can be categorized between the income levels $10,000 and $25,000

The consumer electronics division of a large company that also manufactures automobiles, apparel, and processed food best illustrates a strategic business unit (SBU). Business strategy occurs within strategic business units, or SBUs, the stand-alone divisions of a larger conglomerate, each with its own profit-and-loss responsibility.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-05 Describe the roles of corporate, business, and functional managers in strategy formulation and implementation.
Topic: Strategic Leadership

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Access Complete Test Bank for Strategic Management 3rd Rothaermel

61. A company's strategic business unit

A. does not need to adopt the overall corporate strategy.
B. is responsible for its own profit and loss.
C. is a division solely created to design strategies during turbulent times.
D. decides which industries and markets to compete in for an entire conglomerate.

Business strategy occurs within strategic business units, or SBUs, the stand-alone divisions of a larger conglomerate, each with its own profit-and-loss responsibility.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-05 Describe the roles of corporate, business, and functional managers in strategy formulation and implementation.
Topic: Strategic Leadership

62. Who among the following is responsible for making business strategies in a large conglomerate?

A. the board of directors at the headquarters
B. the shareholder of the company
C. the lower-level employees in the company
D. the general managers of individual business units

General managers in strategic business units (SBUs) must answer business strategy questions relating to how to compete in order to achieve superior performance.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-05 Describe the roles of corporate, business, and functional managers in strategy formulation and implementation.
Topic: Strategic Leadership

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63. Blue Billion Inc. is a large company that sells a variety of products such as cosmetics, jewelry, frozen foods, navigation electronics, and airplanes. Apart from this, the company also has a strong presence in the service industry through its chain of dance studios, casinos, and nightclubs. Each of its product divisions operates as an individual business and is responsible for its own profits and losses. Thus, these product divisions under Blue Billion can be referred to as

A. limited liability companies.
B. functional departments.
C. strategic business units.
D. corporations.

These product divisions under Blue Billion can be referred to as strategic business units (SBUs). Business strategy occurs within strategic business units, the stand-alone divisions of a larger conglomerate, each with its own profit-and-loss responsibility. General managers in SBUs must answer business strategy questions relating to how to compete in order to achieve superior performance.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-05 Describe the roles of corporate, business, and functional managers in strategy formulation and implementation.
Topic: Strategic Leadership

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Access Complete Test Bank for Strategic Management 3rd Rothaermel

64. Which of the following strategies best illustrates a generic business strategy?

A. A cost-cutting strategy that corporate executives in the headquarters want all business units of a large conglomerate to implement
B. A strategy to use monetary incentives to motivate employees working on a project
C. A decision to computerize a firm's database in order to improve customer service
D. A decision to niche market the jewelry sold by a company while the apparel division under the same company sells its products through mass marketing

A decision to niche market the jewelry sold by a company while the apparel division under the same company sells its products through mass marketing is an example of a generic business strategy. Business strategy occurs within strategic business units, or SBUs, the stand-alone divisions of a larger conglomerate, each with its own profit-and-loss responsibility. Within the guidelines received from corporate headquarters, they formulate an appropriate generic business strategy (cost-leadership, differentiation, or integration) in their quest for competitive advantage.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-05 Describe the roles of corporate, business, and functional managers in strategy formulation and implementation.
Topic: Strategic Leadership

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65. Which of the following functions do the general managers in strategic business units primarily perform?

A. design generic business strategies based on guidelines received from corporate headquarters
B. set overarching strategic objectives to unify the entire conglomerate under one mission
C. take responsibility for decisions and actions within a single functional area
D. allocate scarce resources among different business divisions

General managers in strategic business units must answer business strategy questions relating to how to compete in order to achieve superior performance. Within the guidelines received from corporate headquarters, they formulate an appropriate generic business strategy (cost-leadership, differentiation, or integration) in their quest for competitive advantage.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-05 Describe the roles of corporate, business, and functional managers in strategy formulation and implementation.
Topic: Strategic Leadership

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66. T & R Autos Inc. is a large conglomerate that operates in 12 different countries. The corporate executives at the headquarters have decided that the company's objective for the next two years will be to increase its customer equity. Based on this guideline received from the top management team, the product leader of the home appliances division has decided to adopt a cost-leadership strategy in all his 12 units. Thus, the decision made by the product leader best illustrates a _____ strategy.

A. corporate
B. functional
C. grand
D. business

The given decision made by the product leader best illustrates a business strategy. General managers in strategic business units must answer business strategy questions relating to how to compete in order to achieve superior performance. Within the guidelines received from corporate headquarters, they formulate an appropriate generic business strategy (cost-leadership, differentiation, or integration) in their quest for competitive advantage.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Analyze
Difficulty: 3 Hard
Learning Objective: 02-05 Describe the roles of corporate, business, and functional managers in strategy formulation and implementation.
Topic: Strategic Leadership

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67. The regional head for Creative Design Inc. in Boratania has decided to sell the company's products directly through company-owned stores because the distribution system in the market is primitive. In six other markets, however, the company will continue to operate through a franchise system. Thus, this decision made by the regional head at Boratania will be considered as a ____ strategy.

A. corporate
B. tactical
C. functional
D. business

The decision made by the regional head at Boratania will be considered as a business strategy. General managers in strategic business units must answer business strategy questions relating to how to compete in order to achieve superior performance. Within the guidelines received from corporate headquarters, they formulate an appropriate generic business strategy (cost-leadership, differentiation, or integration) in their quest for competitive advantage.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Analyze
Difficulty: 3 Hard
Learning Objective: 02-05 Describe the roles of corporate, business, and functional managers in strategy formulation and implementation.
Topic: Strategic Leadership

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68. White Leo Autos manufactures and markets four different cars: Leo Sport, Leo Prestige, Leo Spark, and Leo Ease. These four product variants are operated as individual business units. While the product leaders of Leo Sport, Leo Prestige, and Leo Spark have adopted a differentiation strategy to attract the niche market: the product leader of Leo Ease follows a cost-leadership strategy to suit the mass market. This decision of the product leader of Leo Ease can be ideally categorized as a _____ strategy.

A. corporate
B. functional
C. business
D. tactical

This decision of the product leader of Leo Ease can be ideally categorized as a business strategy. General managers in strategic business units must answer business strategy questions relating to how to compete in order to achieve superior performance. Within the guidelines received from corporate headquarters, they formulate an appropriate generic business strategy (cost-leadership, differentiation, or integration) in their quest for competitive advantage.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-05 Describe the roles of corporate, business, and functional managers in strategy formulation and implementation.
Topic: Strategic Leadership

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69. To implement specific business strategies, general managers of strategic business units rely on

A. external stakeholders.
B. corporate executives.
C. strategic leaders.
D. functional managers.

To implement specific business strategies, regional and product leaders (general managers) rely on functional managers, who are responsible for a particular business function such as bottling, supply chain management, marketing, retail, or customer service.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-05 Describe the roles of corporate, business, and functional managers in strategy formulation and implementation.
Topic: Strategic Leadership

70. Strategies developed at the departmental level, such as the accounting, human resources, production, and marketing departments, within a strategic business unit are referred to as _____ strategies.

A. grand
B. corporate
C. business
D. functional

Within each strategic business unit are various business functions: accounting, finance, human resources, product development, operations, manufacturing, marketing, and customer service. Each functional manager is responsible for decisions and actions within a single functional area.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-05 Describe the roles of corporate, business, and functional managers in strategy formulation and

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implementation.
Topic: Strategic Leadership

71. _____ are primarily responsible for decisions and actions within their respective departments like finance, human resources, marketing, and production in a strategic business unit.

A. Functional managers
B. Corporate executives
C. Strategic leaders
D. General managers

Within each strategic business unit are various business functions: accounting, finance, human resources, product development, operations, manufacturing, marketing, and customer service. Each functional manager is responsible for decisions and actions within a single functional area.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-05 Describe the roles of corporate, business, and functional managers in strategy formulation and implementation.
Topic: Strategic Leadership

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72. Green Rabbit Products Inc. (GRP) is a large conglomerate. The human resources department of its telecom division has decided to reduce its employee turnover by encouraging internal promotions. Which of the following strategies does this scenario best illustrate?

A. corporate strategy
B. business strategy
C. functional strategy
D. grand strategy

The human resource department of Green Rabbit Products telecom division has decided to implement a functional strategy. Within each strategic business unit are various business functions: accounting, finance, human resources, product development, operations, manufacturing, marketing, and customer service. Each functional manager is responsible for decisions and actions within a single functional area.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-05 Describe the roles of corporate, business, and functional managers in strategy formulation and implementation.
Topic: Strategic Leadership

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73. The production department at Coral Cements that is a subsidiary of the large conglomerate Five East Corp. has decided to adopt the FIFO (first in, first out) method of inventory to dispatch its cement bags. Which of the following strategies does this scenario best illustrate?

A. functional strategy
B. corporate strategy
C. master strategy
D. business strategy

The production department of Coral Cements has decided to implement a functional strategy. Within each strategic business unit are various business functions: accounting, finance, human resources, product development, operations, manufacturing, marketing, and customer service. Each functional manager is responsible for decisions and actions within a single functional area.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-05 Describe the roles of corporate, business, and functional managers in strategy formulation and implementation.
Topic: Strategic Leadership

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74. Which of the following strategies best illustrates a functional strategy?

A. The CEO of Sunrise Companies Inc. has decided that the company will be entering the European market.
B. The general manager of a product division of Pickford Products Inc. has decided that 30 percent of the division's annual profits will be invested in research and development.
C. The regional manager for the military electronics division of Holden & Co. has decided that the division will pursue backward integration to save costs.
D. The production manager at the apparel division of Wilder Style Co. has decided that the department will hire contract workers for three months to meet the temporary demand.

The production manager at the apparel division of a large conglomerate deciding that the department will hire contract workers for three months to meet the temporary demand best illustrates a functional strategy. Within each strategic business unit are various business functions: accounting, finance, human resources, product development, operations, manufacturing, marketing, and customer service. Each functional manager is responsible for decisions and actions within a single functional area.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-05 Describe the roles of corporate, business, and functional managers in strategy formulation and implementation.
Topic: Strategic Leadership

75. Which of the following happens during the analysis stage of scenario planning?

A. formulation of responses to scenarios
B. development of different strategic plans
C. identification of possible future scenarios
D. execution of the dominant strategic plan

In the analysis stage, managers brainstorm to identify possible future scenarios.

AACSB: Knowledge Application

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Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-06 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Topic: The Strategic Management Process

76. How are the two approaches, strategic planning and scenario planning, different from the strategy-as-planned-emergence approach?

A. Strategy as a planned emergence model was introduced before strategic planning and scenario planning.
B. Unlike strategic planning and scenario planning, strategy as a planned emergence model does not begin with a strategic plan.
C. Relative to strategic planning and scenario planning, strategy as a planned emergence model is a less formal and less stylized approach to the development of strategy.
D. Unlike strategic planning and scenario planning, strategy as a planned emergence model is a rational top-down planning approach.

Strategic planning was the first framework, before scenario planning was introduced, and strategy as a planned emergence model is the most recent addition. The first two are relatively formal, "rational" top-down planning approaches. Although the third approach also begins with a strategic plan, it is a less formal and less stylized approach to the development of strategy.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-06 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Topic: The Strategic Management Process

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77. In the top-down strategic planning approach, all strategic intelligence and decision-making responsibilities rest primarily on the

A. functional managers.
B. chief executive officer.
C. external stakeholders.
D. general manager.

Top-down strategic planning is a rational, top-down process through which executives attempt to program future success. In this approach, all strategic intelligence and decision-making responsibilities are concentrated in the office of the CEO.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-06 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Topic: The Strategic Management Process

78. _____ is best described as a rational process in which executives at a company's headquarters take primary responsibility to program future success of the company they lead.

A. Bottom-up strategic approach
B. Top-down strategic planning
C. Reverse mentoring
D. Emergent strategic plan

Top-down strategic planning is a rational, top-down process through which executives attempt to program future success. In this approach, all strategic intelligence and decision-making responsibilities are concentrated in the office of the CEO.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-06 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Topic: The Strategic Management Process

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79. Which of the following statements is true of top-down strategic planning?

A. Information flows both ways in the process, from the upper management to the lower management and also the other way around.
B. In this process, the formulation of strategy is separate from implementation.
C. Employees at the operation level have major responsibility in strategizing for competitive advantage.
D. The process is based on the assumption that the past cannot be used to predict the future.

In top-down strategic planning, the formulation of strategy is separate from implementation, and thinking about strategy is separate from doing it.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-06 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Topic: The Strategic Management Process

80. A traditional top-down strategic planning process typically begins with

A. employees at the operational level identifying problems within an organization.
B. functional managers formulating functional strategies for their respective departments.
C. strategic leaders adjusting a company's vision and mission based on environmental analysis.
D. employees who have close contact with customers taking autonomous actions.

In a traditional top-down strategic planning process, strategic planners first provide careful analyses of internal and external data and apply it to all quantifiable areas: prices, costs, margins, market demand, head count, and production runs. Based on a careful analysis of these data, top managers reconfirm or adjust the company's vision, mission, and values before formulating corporate, business, and functional strategies.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Understand

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Difficulty: 2 Medium
Learning Objective: 02-06 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Topic: The Strategic Management Process

81. Which of the following is an assumption that top-down strategic planning rests on?

A. We can predict the future from the past.
B. Time cannot be compressed at will.
C. Decisions made in the past do not affect our future.
D. Change is constant.

Top-down strategic planning rests on the assumption that the future can be predicted from the past. The approach works reasonably well when the environment does not change much.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-06 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Topic: The Strategic Management Process

82. Top-down strategic planning works best when the

A. events in the future are highly unpredictable.
B. past cannot be used to predict the future.
C. lower-level employees in an organization are highly empowered.
D. environment does not change much.

Top-down strategic planning rests on the assumption that the future can be predicted from the past. The approach works reasonably well when the environment does not change much.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-06 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Topic: The Strategic Management Process

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83. Which of the following is a top-down approach to the development of strategy that involves asking "what if" questions to anticipate plausible futures?

A. top-down strategic planning
B. bottom-up strategic thinking
C. scenario planning
D. reverse mentoring

Scenario planning asks "what if" questions. Similar to top-down strategic planning, scenario planning also uses a rational, scientific approach to the strategy process. In addition, in scenario planning managers envision different scenarios, to anticipate plausible futures.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-06 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Topic: The Strategic Management Process

84. The executives at Red Couture Inc. are developing strategic plans to address plausible future situations like rise in the prices of cotton and synthetic fabrics by 20 percent, appreciation in the value of the dollar, increase in the cost of labor by 30 percent, and increase in demand for the company's products. By doing so, the company will be well prepared with its planned responses if any of these situations occurs in the future. Thus, Red Couture is employing _____ as the approach to the development of strategy.

A. scenario planning
B. top-down strategic planning
C. reverse engineering
D. pattern recognition

Scenario planning asks those "what if" questions. Similar to top-down strategic planning, scenario planning also uses a rational, scientific approach to the strategy process. In addition, in scenario planning managers envision different scenarios, to anticipate plausible futures.

AACSB: Analytical Thinking

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Accessibility: Keyboard Navigation
Blooms: Analyze
Difficulty: 3 Hard
Learning Objective: 02-06 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Topic: The Strategic Management Process

85. Which of the following methods of developing a strategy best illustrates scenario planning?

A. Based on the previous year's profits, the CEO of Solva Inc. decided to adopt an expansion strategy in its home market.
B. A sales personnel of MP Foods Inc. suggested that the company should introduce an organic version of its gelato to cater to the needs of the increasing health-conscious population.
C. The managers at Lyon Clothing Inc. formulated a strategy to tackle any increase in the prices of cotton in the future.
D. The CEO of BCT Inc., a large conglomerate, has decided to enter the South American market based on the competitor's success in the same market.

Scenario planning asks those "what if" questions. Similar to top-down strategic planning, scenario planning also uses a rational, scientific approach to the strategy process. In addition, in scenario planning managers envision different scenarios, to anticipate plausible futures.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-06 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Topic: The Strategic Management Process

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86. Which of the following statements accurately brings out the difference between top-down strategic planning and scenario planning?

A. While in top-down strategic planning a top-down approach is used to develop strategies, in scenario planning a bottom-up approach is used.
B. Scenario planning helps create strategic plans that are more flexible, and thus more effective, than those created through the more static strategic planning approach.
C. While top-down strategic planning takes place at both the corporate and business levels of strategy, scenario planning takes place only at the corporate level.
D. Top-down strategic planning addresses only pessimistic futures, whereas scenario planning addresses only optimistic futures.

The goal of scenario planning is to create strategic plans that are more flexible, and thus more effective, than those created through the more static strategic planning approach.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-06 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Topic: The Strategic Management Process

87. Scenario planning typically begins with managers

A. developing different strategic plans to address possible future scenarios.
B. building a portfolio of future strategic options.
C. executing a dominant strategic plan.
D. brainstorming to identify multiple plausible futures.

In the analysis stage of scenario planning, managers brainstorm to identify possible future scenarios. Input from several different hierarchies within the organization and from different functional areas such as R&D, manufacturing, and marketing and sales is critical at this step.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Remember

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Difficulty: 1 Easy
Learning Objective: 02-06 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Topic: The Strategic Management Process

88. A(n) _____ is best described as the strategic option that top managers decide most closely matches the current reality and which is then executed.

A. bottom-up emergent strategy
B. executive summary
C. realized strategy
D. dominant strategic plan

Dominant strategic plan is the strategic option that top managers decide most closely matches the current reality and which is then executed.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-06 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Topic: The Strategic Management Process

89. Strategic flexibility is achieved when managers

A. choose to keep their vision statements more product-oriented rather than customer-oriented.
B. respond to reality changes by activating alternate dominant plans or modifying the old plan.
C. implement static top-down strategic planning approach to the development of strategy.
D. overlook pessimistic future scenarios and only prepare for optimistic futures.

If performance feedback of a strategic plan is positive, managers should continue to pursue the dominant strategic plan, fine-tuning it in the process. If performance feedback is negative, or if reality changes, managers should consider whether to modify further the dominant strategic plan in order to enhance firm performance, or to activate an alternative strategic plan.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation

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Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-06 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Topic: The Strategic Management Process

90. The critics of top-down strategic planning and scenario planning argue that

A. the strategies developed through these approaches are primarily based on an inspirational vision and not on hard data.
B. these approaches do not believe that we can predict the future from the past.
C. the development of strategies through these approaches is highly dependent on experience of front-line employees.
D. these approaches do not allow for the necessary strategic thinking.

Critics of top-down and scenario planning argue that strategic planning is not the same as strategic thinking. In fact, they argue the strategic planning processes are often too regimented and confining. As such, they do not allow for the necessary strategic thinking.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-06 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Topic: The Strategic Management Process

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91. Strategic thinking is different from strategic planning in that

A. strategic thinking includes all types of information sources while strategic planning does not.
B. strategic thinking relies more on hard data than strategic planning.
C. strategic thinking is regimented and confining, whereas strategic planning is more flexible.
D. strategic thinking can create an illusion of control, whereas strategic planning avoids this.

Critics of top-down and scenario planning argue that strategic planning is not the same as strategic thinking. According to them, in order to be successful, a strategy should be based on an inspiring vision and not on hard data alone. They advise that managers should focus on all types of information sources, including soft sources that can generate new insights, such as personal experience or the experience of front-line employees.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-06 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Topic: The Strategic Management Process

92. An intended strategy is best described as

A. a combination of its top-down strategic intentions and bottom-up emergent strategy.
B. any unplanned strategic initiative undertaken by mid-level employees of their own volition.
C. the outcome of a rational and structured, top-down strategic plan.
D. a strategy developed at the lower levels of management to tackle unpredictable events.

Top-level executives design an intended strategy—the outcome of a rational and structured, top-down strategic plan.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-06 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Topic: The Strategic Management Process

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93. After carefully assessing the market potential for hybrid motorcycles, it was decided at the corporate headquarters of HyCycles Inc. that the company would be launching a hybrid version of all its motorcycle models within the next two years. This would mean that each strategic business unit under the company would be involving in its own research and development efforts. Which of the following strategies in the planned emergence model does this best illustrate?

A. intended strategy
B. emergent strategy
C. unrealized strategy
D. tactical strategy

Top-level executives design an intended strategy—the outcome of a rational and structured, top-down strategic plan.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Analyze
Difficulty: 3 Hard
Learning Objective: 02-06 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Topic: The Strategic Management Process

94. When parts of a firm's intended strategy fall by the wayside due to unpredictable events, it turns into a(n) _____ strategy.

A. tactical
B. dominant
C. emergent
D. unrealized

At times, parts of a firm's intended strategy fall by the wayside due to unpredictable events and thus turn into unrealized strategy.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Remember

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Access Complete Test Bank for Strategic Management 3rd Rothaermel

Difficulty: 1 Easy
Learning Objective: 02-06 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Topic: The Strategic Management Process

95. Unrealized strategy is when parts of a firm's intended strategy is

A. nonfunctional due to unexpected events.
B. not revealed to the lower-level employees.
C. implemented and controlled by front-line employees.
D. planned to tackle some unforeseen events.

At times, parts of a firm's intended strategy fall by the wayside due to unpredictable events and thus turn into unrealized strategy.

AACSB: Knowledge Application
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Difficulty: 1 Easy
Learning Objective: 02-06 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Topic: The Strategic Management Process

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96. Molly Hue Apparels Inc. (MHA) had been outsourcing its production to less-developed countries in order to reduce its cost of production. With the emergence of its competitor, Hova Inc., MHA lost its competitive advantage. Hova had its production units in its home country that allowed the company to bring out the latest trends to the market earlier than MHA. Also, MHA frequently suffered due to political instability and lack of intellectual property laws in the outsourced countries. Thus, parts of MHA's strategies became obsolete and it had to relocate its production. What are such obsolete strategies referred to as in the planned emergence model?

A. intended strategy
B. emergent strategy
C. unrealized strategy
D. tactical strategy

At times, parts of a firm's intended strategy fall by the wayside due to unpredictable events and thus turn into unrealized strategy.

AACSB: Analytical Thinking
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Blooms: Analyze
Difficulty: 3 Hard
Learning Objective: 02-06 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Topic: The Strategic Management Process

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97. Any unplanned strategic initiative undertaken by mid-level employees of their own volition is a(n)

A. dominant strategic plan.
B. unrealized strategy.
C. emergent strategy.
D. intended strategy.

An emergent strategy describes any unplanned strategic initiative undertaken by mid-level employees of their own volition. If successful, emergent strategies have the potential to influence and shape a firm's strategy.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-06 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Topic: The Strategic Management Process

98. Unplanned strategic initiatives taken by the _____ within an organization will be referred to as an emergent strategy.

A. suppliers and vendors of the organization
B. shareholders of the organization
C. team leads of project teams in the organization
D. corporate executives in the organization's headquarters

An emergent strategy describes any unplanned strategic initiative undertaken by mid-level employees of their own volition.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-06 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Topic: The Strategic Management Process

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99. The production head at the canned juice unit of True Candy Inc. would frequently stay back after office hours and experiment with new organic hard candy flavors even though this was part of the new product development team's job. As a result of these experiments, he came up with two new flavors of organic hard candy, raspberry-apricot and strawberry-apple. After rigorous test marketing, which proved that the market would accept the new candy, the product variants were successfully launched. Which of the following strategies does this scenario best illustrate?

A. intended strategy
B. emergent strategy
C. unrealized strategy
D. tactical strategy

This scenario best illustrates an emergent strategy. An emergent strategy describes any unplanned strategic initiative undertaken by mid-level employees of their own volition. If successful, emergent strategies have the potential to influence and shape a firm's strategy.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Analyze
Difficulty: 3 Hard
Learning Objective: 02-06 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Topic: The Strategic Management Process

100. A _____ is best described as any activity a firm pursues to explore and develop new products and processes, new markets, or new ventures.

A. strategic initiative
B. value chain
C. supply chain
D. corrective action

A strategic initiative is any activity a firm pursues to explore and develop new products and processes, new markets, or new ventures.

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Difficulty: 1 Easy
Learning Objective: 02-06 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Topic: The Strategic Management Process

101. Which of the following statements is true of strategic initiatives?

A. Strategic initiatives can be the result of a response to external trends or come from internal sources.
B. When lower-level employees are less empowered, the possibility of strategic initiatives is higher.
C. Strategic initiatives result from top-down planning by executives and not through a bottom-up process.
D. Random events and accidental happenstances reduce the possibility of strategic initiatives in organizations.

Strategic initiatives can come from anywhere. They could be the result of a response to external trends or come from internal sources. As such, strategic initiatives can be the result of top-down planning by executives, or they can also emerge through a bottom-up process.

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Difficulty: 2 Medium
Learning Objective: 02-06 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
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102. Teddiez Inc. is a company that manufactures and sells stuffed toys. It sources its materials from another country to keep costs low. A sales personnel in one of its retail stores noticed that there was increasing concern regarding the potential toxicity of the materials in the dolls. In response, she found an economical, organic, and nontoxic cloth filling that the company could use. When her manager learned about this, he presented the prospect and got it approved from the top management team. This is an example of the

A. top-down strategic planning approach.
B. planned emergence approach.
C. scenario planning process.
D. reverse engineering process.

This scenario exemplifies a planned emergence approach. A planned emergence is a strategy process in which organizational structure and systems allow bottom-up strategic initiatives to emerge and be evaluated and coordinated by top management. In the strategy-as-planned-emergence approach, strategic initiatives can come from anywhere within a firm.

AACSB: Analytical Thinking
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Blooms: Analyze
Difficulty: 3 Hard
Learning Objective: 02-06 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Topic: The Strategic Management Process

103. To support the rise of emergent strategies, an organization should

A. centralize decision making and all other activities.
B. empower lower-level employees to take up autonomous actions.
C. limit serendipity that is in the form of random events and accidental happenstances.
D. rely solely on hard data to formulate strategies.

Successful emergent strategies are sometimes the result of serendipity combined with autonomous actions of lower-level employees.

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Difficulty: 2 Medium
Learning Objective: 02-06 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Topic: The Strategic Management Process

104. Which of the following reasons justifies the view that functional managers should be allowed to initiate strategic initiatives based on autonomous actions?

A. Functional managers have more control and power in the organization than corporate executives.
B. Functional managers are much closer to the final products, services, and customers than corporate- or business-level managers.
C. Functional managers have a bigger role in identifying a company's vision and mission than the strategic leaders.
D. Functional managers are Level 5 managers in the Level-5 leadership pyramid when compared to the executives who are at Level 4.

Functional managers are much closer to the final products, services, and customers than corporate- or business-level managers. As a result, functional managers may initiate strategic initiatives based on autonomous actions that can influence the direction of the company.

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Difficulty: 2 Medium
Learning Objective: 02-06 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
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105. In Strategy Highlight 2.2, what type of strategy did Diana, the Starbucks store manager in southern California, use to develop the new iced beverage for her store?

A. She used a rational planning approach to strategy planning.
B. She created a dominant strategy plan.
C. She used scenario planning.
D. She used an emergent strategy.

Functional managers like Diana, the Starbucks store manager featured in Strategy Highlight 2.2, are much closer to the final products, services, and customers than corporate- or business-level managers. As a result, functional managers may initiate strategic initiatives based on autonomous actions that can influence the direction of the company. An emergent strategy describes any unplanned strategic initiative undertaken by mid-level employees of their own volition. If successful, emergent strategies have the potential to influence and shape a firm's strategy.

AACSB: Knowledge Application
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Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-06 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Topic: The Strategic Management Process

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106. Understanding the Resource Allocation Process (RAP) will have large effects on shaping a firm's realized strategy. Which of the following is an example of such an allocation of resources?

A. Starbucks' launch of iced drinks
B. Teach For America's mission statement
C. Merck's voluntary withdrawal of Vioxx from the market
D. Intel's rule to "maximize margin-per-wafer-start"

By changing the tasks the resources in the firm were working on at the middle and lower levels, Intel's decision to set up guidelines for production priorities yielded an emergent strategic shift into microprocessors and out of DRAM (dynamic random-access memory) chips. Intel was able to pursue a strategic transformation due to the way it set up its resource allocation process. In a sense, Intel was using functional-level managers to drive business and corporate strategies in a bottom-up fashion.

AACSB: Knowledge Application
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Topic: The Strategic Management Process

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107. ____ is best described as a strategy process in which organizational structure and systems allow bottom-up strategic initiatives to emerge and be evaluated and coordinated by top management.

A. Planned emergence
B. Scenario planning
C. Top-down strategic planning
D. Reverse engineering

Taken together, a firm's realized strategy is frequently a combination of top-down strategic intent and bottom-up emergent strategies. This type of strategy process is called planned emergence. In that process, organizational structure and systems allow bottom-up strategic initiatives to emerge and be evaluated and coordinated by top management.

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108. A company uses the planned emergence approach in the development of its strategies. Which of the following is an implication of this?

A. The employees will be isolated from the process of setting the company's vision and mission.
B. The lower-level employees will be restricted to the tasks involved in strategic implementation.
C. The company's organizational structure and systems will be designed to support bottom-up strategic initiatives.
D. The top management will create a strategy that is based on hard data alone, rather than an inspiring vision.

Taken together, a firm's realized strategy is frequently a combination of top-down strategic intent and bottom-up emergent strategies. This type of strategy process is called planned emergence. In that process, organizational structure and systems allow bottom-up strategic initiatives to emerge and be evaluated and coordinated by top management.

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Learning Objective: 02-06 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
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109. Top-down strategic planning as an approach to the strategic management process will be most effective when the

A. environment is constantly changing.
B. size of the firm is large.
C. probability of black swan events is high.
D. top management wants to decentralize decision making.

In a slow-moving environment, top-down strategic planning might be the most effective approach. Besides the rate of change, a second dimension is firm size. Larger firms tend to use either a top-down strategic planning process or scenario planning.

AACSB: Knowledge Application
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-06 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Topic: Implications for the Strategist

110. Lower-level employees focus mainly on _____ when a firm is using top-down or scenario planning as an approach to the strategic management process.

A. strategy formulation
B. strategy analysis
C. strategy implementation
D. strategy initiation

Lower-level employees focus mainly on strategy implementation when a firm is using top-down or scenario planning.

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Topic: Implications for the Strategist

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