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Strategic Management, 4e **(Rothaermel)**
Chapter 2 Strategic Leadership: Managing the Strategy Process

1) Executives whose visions and decisions help their companies achieve competitive advantage can be considered strategic leaders.

2) Strategic leaders spend the majority of their time working alone to devise new strategies.

3) An employee lacking some of the innate abilities to be a top-level manager can still become an effective strategic leader through hard work and experience.

4) It is helpful to break down strategy formulation and strategy implementation into five distinct areas.

5) The autocratic strategic management process exhibited by the former head of Apple, Steve Jobs, is best described as an emergent strategy.

6) A surprise event that leads to a change in strategic initiatives, such as the accidental discovery of a new use for an existing product, is known as serendipity.

7) A firm's resource-allocation process (RAP) has very little effect on its realized strategy.

8) Because they are a crucial component of a firm's success, customers are considered internal stakeholders.

9) A firm is required by society and its shareholders to meet its ethical and philanthropic responsibilities.

10) Under the strategy as a planned emergence model, even entry-level employees can help generate strategic initiatives.

11) As the CEO of a conglomerate, Eva Morris exhibited her strong commitment toward the company's core value that customers' well-being is more important than profit when she convinced the board of directors to liquidate the company's pesticide subsidiary. The pesticide brand sold by her company was a major revenue earner in lesser-developed nations, but studies indicate that it is a carcinogen. Eva persuaded the board that the company had to be responsible toward society. In this scenario, Eva has demonstrated
A) strategic leadership.
B) intrapreneurship.
C) Machiavellianism.
D) individualism.

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12) 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

13) Hannah is the Chief Operating Officer of the startup AppPalace. In which of the following scenarios does Hannah exhibit strategic leadership?
A) Hannah directs the company to produce an app for reptile enthusiasts, a community she happens to be a part of. Even though the app ends up losing significant amounts of money, Hannah is proud of the product and uses it every day.
B) Citing budget concerns, Hannah ignores the directions from AppPalace's CEO to double the size of the customer support staff. As a result, the company misses its third quarter customer satisfaction target but exceeds its net profit expectations by 5 percent.
C) Hannah schedules a meeting with the manager of the marketing department and overcomes his skepticism about a new campaign aimed at customers in the 55+ age group. Over the next three months, AppPalace gains 250,000 new users in that group.
D) With a major pitch to potential investors coming up, Hannah works alone for 10 hours a day until she writes the perfect sales pitch. Even though the rest of her team doubts that they can meet the performance goals Hannah has set, she makes the presentation anyway.

14) The CEO of Mabel Automobiles 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, low-maintenance vehicles 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

15) Yuki 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, Yuki is in _____ of the Level-5 leadership pyramid.
A) Level 5
B) Level 4
C) Level 3
D) Level 2

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16) 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

17) 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.

18) TriCorp is a major financial services corporation. With the CEO of TriCorp preparing to retire, several top managers are vying for the position. Jared considers himself to be a leading candidate. He not only has advanced degrees from business schools and more than a decade of experience working for TriCorp, but he also has personally ensured that his division has exceeded its performance benchmarks over the past three years, even though many of his employees are dissatisfied because they feel they are stagnating in their jobs. According to the level 5 leadership pyramid, why has Jared failed to exhibit the qualities of a level-5 leader?
A) His individual skills are not well developed.
B) His actions do not match the organization's strategy.
C) He lacks the organizational ability to accomplish the organization's goals.
D) He is not able to help others reach their full potential.

19) 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.

20) 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.

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21) The former CEO of Sam's Club, a division with its own profit-and-loss responsibility, Rosalind Brewer, reported 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

22) The CEO of Chyron Media has decided to enter the markets of emerging nations like China and Brazil. This means that the books, magazines, and websites published under the Chyron Media 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

23) 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.

24) 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

25) 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.

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26) Mercurial Foods is the parent company of several chain restaurants offering a variety of cuisines. The top management at Mercurial has decided to enter the frozen foods 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

27) Due to political instability in the country of East Gerdon, the strategic leaders at the headquarters of Mako Manufacturing have decided to close all production facilities in the country until stability returns. Mako's managers have formulated a _____-level strategy.
A) business
B) divisional
C) functional
D) corporate

28) 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

29) Ida has been tasked with formulating the business strategy for Contour Cosmetics' new line of lipsticks. Which of the following ideas would Ida be likely to include in her proposal?
A) Open kiosks in shopping centers located in developing countries with rising disposable incomes.
B) Promote the lipsticks as the longest-lasting on the market.
C) Invest in building an online store for Contour products.
D) Reorganize the manufacturing division to gain efficiency.

30) 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.

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31) 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

32) 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

33) Pear Tree Electronics is a large conglomerate that operates in 17 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, or the value of potential future revenues generated by all its customers in a lifetime. Based on this guideline received from the top management team, the product leader of the home audio division has decided to adopt a cost-leadership strategy in all his 17 units. Thus, the decision made by the product leader best illustrates a _____ strategy.
A) corporate
B) functional
C) grand
D) business

34) 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.

35) 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

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36) The distribution department at Golden Grains Wheat Company has decided to adopt the FIFO (first in, first out) method of inventory to dispatch its bags of wheat. Which of the following strategies does this scenario best illustrate?
A) functional strategy
B) corporate strategy
C) master strategy
D) business strategy

37) 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.

38) 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.

39) 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.

40) 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.

41) Ivan is the founder of a firm producing self-driving vehicles. Because the industry is so new and chaotic, Ivan favors a top-down strategic planning approach in which he exerts strong control over all aspects of the business, from product development and design to manufacturing and marketing. What is wrong with this scenario?
A) The self-driving vehicle industry is changing too much for the top-down approach to be effective.
B) The top-down approach can only be applied to specific business functions.
C) The top-down approach leaves other employees uncertain about their roles in the company.
D) The top-down approach is expensive to maintain, leaving the company at a competitive disadvantage.

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42) 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

43) 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 person at MP Foods Inc. suggested that the company should introduce an organic version of its gelato to cater to the needs of the increasingly health-conscious population.
C) The managers at Lyon Clothing Inc. formulated a strategy that is able to handle small to medium to large increases 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.

44) InTex manufactures medical devices. The firm's profitability depends on several variables that are subject to occasional change, including the cost of parts and labor, changes in medical practices, and the price of oil used in both manufacturing and shipping. To account for the potential impact of changes to any of these variables, InTex managers should implement a(n) _____ approach.
A) top-down strategic planning
B) scenario planning
C) upper-echelon
D) strategic business units

45) When the strong dictatorial rule in Backenstein unexpectedly collapsed due to the shocking death of the royal family in an explosion, the nation's economy experienced drastic changes. The laws became more restrictive, the country lost many locally produced resources and products, and the distribution of wealth became inequitable. The unexpected event that led to these changes can best be described as a(n) _____ event.
A) extinction
B) wild card
C) black swan
D) miracle

46) 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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47) 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.

48) After carefully assessing the market potential for solar-powered mobile devices, the top-level executives of Futuretronics Inc. decided that the company would be launching a line of solar-powered tablets within the next two years. This would mean that the tablet division would need to immediately begin 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

49) 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

50) The production head at the Omnitone Paint Company would frequently stay back after office hours and experiment with new color combinations 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 interior paint colors, foggy morning and mint julep. The new colors proved popular among test groups, and quickly became some of Omnitone's best-selling products. Which of the following strategies does this scenario best illustrate?
A) intended strategy
B) emergent strategy
C) unrealized strategy
D) tactical strategy

51) 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

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52) 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.

53) Burke Furnishings is a company that manufactures and sells home furniture. It sources its materials from another country to keep costs low. An assembly line worker in one of its manufacturing centers noticed that there was increasing concern regarding the potential toxicity of the flame-resistant materials used in the furniture. In response, she compiled a list of nontoxic flame-resistant materials 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.

54) Zenya is the founder of an online service that allows users to rent out spare rooms in their homes. She has hired a number of extremely bright employees whose opinions are central to the company's success in the fast-paced online services industry. Which type of strategic management process would be most likely to fully utilize the strengths embodied by her team and position the company to capitalize upon autonomous actions and serendipity?
A) strategic planning
B) scenario planning
C) strategy as planned emergence
D) ad-hoc planning

55) 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.

56) In Strategy Highlight 2.1, 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.

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57) Carlos is the manager of a graphic design firm, and he relies on a top-down strategic management approach to maintain tight control over the activities of his employees. The company has recently started to lose market share to its more innovative competitors, and Carlos wants to encourage his employees to start contributing to the strategy formulation process to make the company more competitive. Which of the following steps should Carlos take?
A) Designate Friday afternoons as time for employees to pursue outside interests loosely related to the business.
B) Schedule individual meetings with employees and demand that they come prepared with five ideas.
C) Take an extended vacation and see how the business naturally reorganizes itself in his absence.
D) Allow employees to take whatever approach they feel is appropriate when dealing with customers.

58) 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"

59) 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.

60) 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.

61) Due to several black swan events in the past, the
A) shareholders of public companies have become more confident in investing their resources in businesses.
B) need for corporate governance and transparency has decreased within various industries.
C) nations around the globe have explicitly appreciated and accepted capitalism as an economic system.
D) implicit trust relationship between the corporate world and society at large has deteriorated.

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62) Which of the following was a key motivator for participants in the Occupy movement of 2011?
A) the need for a capitalist economic system
B) the issue of income disparity
C) the need to reduce government intervention in businesses
D) the desire to dump ecologically dangerous products overseas

63) Vincente, a retired CEO, invests capital in a start-up company that creates budgeting software. He mentors the entrepreneur and the employees of the company because he wants the company to perform well and survive in the market. Thus, Vincente is the start-up company's
A) headhunter.
B) category captain.
C) employee.
D) stakeholder.

64) Organic Food Inc., a multinational company, relies on its media partner Radio Plus to regularly advertise its offers, sales, and new products. Radio Plus is invested in this relationship because it generates most of its revenue from advertising Organic Food's products. In this scenario, Radio Plus is Organic Food Inc.'s
A) stockholder.
B) workforce.
C) internal stakeholder.
D) external stakeholder.

65) Eleanor owns a large portion of Apex Apparel's stock. However, she is not employed by the company. In this scenario, Rachel is the company's
A) external stakeholder.
B) internal stakeholder.
C) creditor.
D) customer.

66) Windmill Inc., a vendor, regularly supplies capacitors to Inland Electronics for use in its products. Therefore, Windmill Inc. is Inland Electronics'
A) internal stakeholder.
B) director.
C) shareholder.
D) external stakeholder.

67) Which of the following best qualifies as a firm's internal stakeholder?
A) an auditor assigned to the firm by a federal government agency
B) a labor union with whom the firm's employees can affiliate
C) a manager taking care of the firm's operations in a foreign market
D) a competitor manufacturing the same products as that of the firm

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68) The best example of a firm's external stakeholder is a(n)
A) government agency that regulates the prices of products manufactured by the firm.
B) board member from a wholly-owned foreign subsidiary of the firm.
C) shareholder who has invested money in the firm but is not employed by the firm.
D) employee of the firm who is responsible for a contract project.

69) The interaction between a firm and its diverse internal and external stakeholders is best described as a(n)
A) ergonomic relationship.
B) cartel arrangement.
C) exchange relationship.
D) fiduciary responsibility.

70) BlueStainless Corp. has been able to gain and sustain a competitive advantage due to its strong relationship with its employees, customers, suppliers, and local communities. The company believes in lifetime employment and ensures that its employees grow along with the company. Investors are more than satisfied with the returns on their investments. Also, 3 percent of the company's profit is spent on community development. With initiatives like these, customers feel privileged to associate themselves with BlueStainless products. This scenario best illustrates the implementation of a
A) strategic analysis.
B) stakeholder strategy.
C) wild card event.
D) black swan event.

71) Which of the following scenarios best illustrates a good stakeholder strategy?
A) VP Inc. follows a strategy in which maximization of the shareholder's wealth is the primary concern of the managers.
B) Carrvero Inc. ensures that its employees are paid the least in the industry so that its external stakeholders can get the best price.
C) PA Corp. distributes only 40 percent of its annual profit after taxes to shareholders, while the remaining is invested for further research, and distributed among employees and the local community.
D) Gen Pharma Corp. ensures that it fully exploits free natural resources, so that most of its profits go to shareholders in the form of dividends.

72) PowerPills is a highly successful vitamin manufacturer. At the close of its most recent fiscal year, the company's balance sheet showed cash holdings of $110 million. Which of the following actions will provide the most benefit for stakeholders?
A) Reinvest profits into expanding the company and creating more jobs.
B) Reward the CEO with a significant bonus payment.
C) Save the excess cash as a precaution against black swan events.
D) Buy out the leading competitor to reduce competition and maintain price stability.

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73) The first step in stakeholder impact analysis involves
A) formulating a stakeholder strategy to balance the different needs of various stakeholders.
B) identifying the opportunities and threats the stakeholders present.
C) describing the economic, legal, ethical, and philanthropic responsibilities of the firm toward society.
D) identifying the stakeholders that currently have, or potentially can have, a material effect on a company.

74) After a firm has identified its key stakeholders in stakeholder impact analysis, the immediate next step is to
A) recognize the opportunities and threats the stakeholders present.
B) identify stakeholders' interests and claims.
C) formulate a stakeholder strategy.
D) address the stakeholders' concerns.

75) As the legal owners, _____ have the most legitimate claim on a company's profits.
A) creditors
B) employees
C) shareholders
D) board members

76) Which of the following is typically an economic responsibility of a firm?
A) sourcing raw materials from highly developed countries
B) paying adequate returns to the firm's stockholders on the capital invested by them
C) donating resources, in terms of money and time, toward community development
D) helping a nation increase its import of goods and services

77) The minimum wage in the country of New Morland is $8 an hour. Odion, a restaurant in New Morland's capital city, pays its servers $8 per hour. However, the management of the restaurant feels that this amount is excessive for workers whose only job is to clear tables. By continuing to adhere to the rules set by the government of New Morland, which of the following responsibilities is Odion satisfying?
A) legal responsibilities
B) philanthropic responsibilities
C) ethical responsibilities
D) demographic responsibilities

78) The amount of xylene that can be used in household paint is legally limited to 0.03 percent. Anything beyond this amount is hazardous to health and the environment, and considered a legal offense. Consequently, CW Paints Corp. has vouched to make its products as safe as possible. Therefore, it manufactures xylene-free paints even though this increases its costs and reduces the dividends paid to its shareholders in the long run. Which of the following responsibilities is CW Paints Corp. primarily *compromising* in this scenario?
A) legal responsibilities toward the government
B) economic responsibilities toward its shareholders
C) philanthropic responsibilities toward the local community
D) ethical responsibilities toward the society

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79) Patriot Tools, a company that manufactures industrial tools, incurs higher costs because of its refusal to outsource its manufacturing to countries where labor costs are lower. This reflects Patriot Tools' _____ responsibility.
A) economic
B) legal
C) ethical
D) demographic

80) Perpetual Batteries recently came under criticism when a newspaper article revealed that the company's production plant had leaked a chemical compound into a sensitive wetland ecosystem. Although use of the chemical was not technically prohibited by law, the local government levied a small fine for cleaning up the spill. Environmental groups, however, argued that continued use of the chemical was damaging to the local wildlife and threatened to organize a boycott against Perpetual Batteries. What should Perpetual Batteries do to ensure that it meets its ethical responsibilities?
A) Pay the fine levied by the local government and resume operations.
B) Move its production facilities to an area that is less concerned with environmental issues.
C) Take out an advertisement arguing that use of the chemical is perfectly legal.
D) Design batteries without the chemical and market them as environmentally friendly.

81) Which of following practices of a firm satisfies its ethical responsibilities?
A) using plastic as the packaging material though it is harmful to the environment, yet legal
B) outsourcing production to a less developed country and paying wages that are below its own country's accepted minimum wages
C) using advertising and other forms of promotion to endorse luxurious lifestyles
D) selling vaccines at a subsidized price in a less developed country even though this results in reduced shareholder returns

82) In the pyramid of corporate social responsibility, _____ responsibilities are the foundational building block.
A) economic
B) ethical
C) philanthropic
D) legal

83) Which of the following statements is true of the social responsibilities of a business?
A) A firm's ethical responsibilities go beyond its legal responsibilities.
B) Shareholders mandatorily require a firm to perform its ethical and philanthropic responsibilities.
C) Ethical responsibilities are the foundational building block of a firm's social responsibility.
D) Legal responsibilities are often subsumed under the idea of corporate citizenship, reflecting the notion of voluntarily giving back to society.

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84) The founder of T-Square Construction strongly believes in the notion of corporate social responsibility, so he has proposed a number of philanthropic activities that he expects the company to pursue. In order to accomplish this vision, the managers should first
A) review all legal codes in the areas in which T-Square operates and ensure all permits are up-to-date.
B) ensure that the company is profitable and has a sustainable competitive advantage.
C) make sure it is paying employees wages that allow them to live comfortably.
D) ask for public input on issues that the company can help address.

85) In the final step of the stakeholder impact analysis, a firm
A) identifies its stakeholders' interests and claims.
B) differentiates its internal stakeholders from its external stakeholders.
C) recognizes the opportunities and threats stakeholders present.
D) decides a course of action to address the stakeholders' concerns.

86) Define strategic leadership.

87) Explain the role of power in the strategic leadership process

88) What does the upper-echelons theory propagate?

89) Briefly describe the level-5 leadership pyramid.

90) Who formulates a company's corporate strategy? What is the objective of this strategy?

91) What is a strategic business unit (SBU)? Explain with an example.

92) Describe the traditional top-down strategic planning process.

93) What is the drawback in top-down strategic planning?

94) What makes scenario planning more flexible than top-down strategic planning?

95) What are the arguments against top-down strategic planning and scenario planning?

96) Differentiate between a firm's intended, realized, and emergent strategies.

97) Discuss the role of lower-level employees in the strategy-as-planned-emergence approach.

98) Who are a firm's stakeholders?

99) A firm is embedded in a multifaceted exchange relationship with a number of diverse internal and external stakeholders. Elaborate on this statement and provide multiple examples of the exchange relationship between a firm and its stakeholders including what each party contributes.

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100) What is meant by corporate social responsibility (CSR)?

101) Discuss the pyramid of corporate social responsibility (CSR).

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Strategic Management, 4e **(Rothaermel)**
Chapter 2 Strategic Leadership: Managing the Strategy Process

1) Executives whose visions and decisions help their companies achieve competitive advantage can be considered strategic leaders.

Answer: TRUE
Explanation: Executives whose vision and decisions enable their organizations to achieve competitive advantage demonstrate strategic leadership.
Difficulty: 1 Easy
Topic: Strategic Approaches to Winning a Sustainable Competitive Advantage
Learning Objective: 02-01 Explain the role of strategic leaders and what they do.
Bloom's: Remember
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

2) Strategic leaders spend the majority of their time working alone to devise new strategies.

Answer: FALSE
Explanation: Strategic leaders spend 67% of their time in face-to-face meetings. They consider face-to-face meetings most effective in getting their message across and obtaining the information they need.
Difficulty: 2 Medium
Topic: The Strategic Role of Managers in Strategy Formulation and Implementation
Learning Objective: 02-01 Explain the role of strategic leaders and what they do.
Bloom's: Understand
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

3) An employee lacking some of the innate abilities to be a top-level manager can still become an effective strategic leader through hard work and experience.

Answer: TRUE
Explanation: According to the upper-echelons theory, effective strategic leadership is the result of both innate abilities and learning. By mastering each level of the Level-5 leadership pyramid, an employee can learn to become an effective strategic leader.
Difficulty: 2 Medium
Topic: Managerial Succession Process
Learning Objective: 02-02 Outline how you can become a strategic leader.
Bloom's: Understand
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

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4) It is helpful to break down strategy formulation and strategy implementation into five distinct areas.

Answer: FALSE
Explanation: It is helpful to break down strategy formulation and implementation into three distinct areas—corporate, business, and functional.
Difficulty: 1 Easy
Topic: Strategic Approaches to Winning a Sustainable Competitive Advantage
Learning Objective: 02-03 Describe the roles of corporate, business, and functional managers in strategy formulation and implementation.
Bloom's: Remember
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

5) The autocratic strategic management process exhibited by the former head of Apple, Steve Jobs, is best described as an emergent strategy.

Answer: FALSE
Explanation: Under its co-founder and longtime CEO, Steve Jobs, Apple was one of the few successful tech companies using a top-down strategic planning process. Jobs felt that he knew best what the next big thing should be. In contrast, an emergent strategy describes any unplanned strategic initiative bubbling up from deep within the organization.
Difficulty: 2 Medium
Topic: Top-Down Strategic Planning and Scenario Planning
Learning Objective: 02-04 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

6) A surprise event that leads to a change in strategic initiatives, such as the accidental discovery of a new use for an existing product, is known as serendipity.

Answer: TRUE
Explanation: Serendipity describes random events, pleasant surprises, and accidental happenstances that can have a profound impact on a firm's strategic initiatives.
Difficulty: 1 Easy
Topic: Sustaining a Competitive Advantage
Learning Objective: 02-04 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Bloom's: Remember
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

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7) A firm's resource-allocation process (RAP) has very little effect on its realized strategy.

Answer: FALSE
Explanation: A firm's resource-allocation process (RAP) determines the way it allocates its resources and can be critical in shaping its realized strategy. Emergent strategies can result from a firm's resource-allocation process (RAP).
Difficulty: 2 Medium
Topic: Methods of Strategy Implementation
Learning Objective: 02-04 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Bloom's: Understand
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

8) Because they are a crucial component of a firm's success, customers are considered internal stakeholders.

Answer: FALSE
Explanation: Internal stakeholders include employees (including executives, managers, and workers), stockholders, and board members. External stakeholders include customers, suppliers, alliance partners, creditors, unions, communities, governments at various levels, and the media.
Difficulty: 2 Medium
Topic: Stakeholders and Stakeholder Analysis
Learning Objective: 02-05 Assess the relationship between stakeholder strategy and sustainable competitive advantage.
Bloom's: Understand
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

9) A firm is required by society and its shareholders to meet its ethical and philanthropic responsibilities.

Answer: FALSE
Explanation: Ethical and philanthropic responsibilities are expected by society, but not required.. Society and shareholders require economic and legal responsibilities.
Difficulty: 2 Medium
Topic: Value of Strategic Leadership
Learning Objective: 02-05 Assess the relationship between stakeholder strategy and sustainable competitive advantage.
Bloom's: Understand
AACSB: Ethics
Accessibility: Keyboard Navigation

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10) Under the strategy as a planned emergence model, even entry-level employees can help generate strategic initiatives.

Answer: TRUE
Explanation: In the strategy as a planned emergence process, every employee plays a strategic role. Any employee, even at the entry level, can have great ideas that might become strategic initiatives with the potential to transform companies.
Difficulty: 2 Medium
Topic: Value of Strategic Leadership
Learning Objective: 02-05 Assess the relationship between stakeholder strategy and sustainable competitive advantage.
Bloom's: Understand
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

11) As the CEO of a conglomerate, Eva Morris exhibited her strong commitment toward the company's core value that customers' well-being is more important than profit when she convinced the board of directors to liquidate the company's pesticide subsidiary. The pesticide brand sold by her company was a major revenue earner in lesser-developed nations, but studies indicate that it is a carcinogen. Eva persuaded the board that the company had to be responsible toward society. In this scenario, Eva has demonstrated
A) strategic leadership.
B) intrapreneurship.
C) Machiavellianism.
D) individualism.

Answer: A
Explanation: In this scenario, Eva has demonstrated strategic leadership. Strategic leadership pertains to executives' use of power and influence to direct the activities of others when pursuing an organization's goals.
Difficulty: 2 Medium
Topic: The Strategic Role of Managers in Strategy Formulation and Implementation
Learning Objective: 02-01 Explain the role of strategic leaders and what they do.
Bloom's: Apply
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

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12) 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

Answer: D
Explanation: Strategic leadership pertains to executives' use of power and influence to direct the activities of others when pursuing an organization's goals.
Difficulty: 1 Easy
Topic: The Strategic Role of Managers in Strategy Formulation and Implementation
Learning Objective: 02-01 Explain the role of strategic leaders and what they do.
Bloom's: Remember
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

13) Hannah is the Chief Operating Officer of the startup AppPalace. In which of the following scenarios does Hannah exhibit strategic leadership?
A) Hannah directs the company to produce an app for reptile enthusiasts, a community she happens to be a part of. Even though the app ends up losing significant amounts of money, Hannah is proud of the product and uses it every day.
B) Citing budget concerns, Hannah ignores the directions from AppPalace's CEO to double the size of the customer support staff. As a result, the company misses its third quarter customer satisfaction target but exceeds its net profit expectations by 5 percent.
C) Hannah schedules a meeting with the manager of the marketing department and overcomes his skepticism about a new campaign aimed at customers in the 55+ age group. Over the next three months, AppPalace gains 250,000 new users in that group.
D) With a major pitch to potential investors coming up, Hannah works alone for 10 hours a day until she writes the perfect sales pitch. Even though the rest of her team doubts that they can meet the performance goals Hannah has set, she makes the presentation anyway.

Answer: C
Explanation: Strategic leadership pertains to executives' use of power and influence to direct the activities of others when pursuing an organization's goals. Power is defined as the strategic leader's ability to influence the behavior of other organizational members to do things, including things they would not do otherwise. Hannah's ability to influence the behavior of the marketing department to target a new, underserved customer segment enables AppPalace to achieve a competitive advantage.
Difficulty: 3 Hard
Topic: The Strategic Role of Managers in Strategy Formulation and Implementation
Learning Objective: 02-01 Explain the role of strategic leaders and what they do.
Bloom's: Apply
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14) The CEO of Mabel Automobiles 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, low-maintenance vehicles 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

Answer: C
Explanation: 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 Mabel Automobiles influenced organizational outcomes, specifically making affordable vehicles that could be bought by low-income households.
Difficulty: 3 Hard
Topic: The Strategic Role of Managers in Strategy Formulation and Implementation
Learning Objective: 02-02 Outline how you can become a strategic leader.
Bloom's: Analyze
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

15) Yuki 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, Yuki is in _____ of the Level-5 leadership pyramid.
A) Level 5
B) Level 4
C) Level 3
D) Level 2

Answer: D
Explanation: Yuki 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.
Difficulty: 2 Medium
Topic: Top Management Teams
Learning Objective: 02-02 Outline how you can become a strategic leader.
Bloom's: Apply
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16) 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

Answer: B
Explanation: 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."
Difficulty: 3 Hard
Topic: Top Management Teams
Learning Objective: 02-02 Outline how you can become a strategic leader.
Bloom's: Analyze
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

17) 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.

Answer: D
Explanation: 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.
Difficulty: 2 Medium
Topic: Value of Strategic Leadership
Learning Objective: 02-02 Outline how you can become a strategic leader.
Bloom's: Apply
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18) TriCorp is a major financial services corporation. With the CEO of TriCorp preparing to retire, several top managers are vying for the position. Jared considers himself to be a leading candidate. He not only has advanced degrees from business schools and more than a decade of experience working for TriCorp, but he also has personally ensured that his division has exceeded its performance benchmarks over the past three years, even though many of his employees are dissatisfied because they feel they are stagnating in their jobs. According to the level 5 leadership pyramid, why has Jared failed to exhibit the qualities of a level-5 leader?
A) His individual skills are not well developed.
B) His actions do not match the organization's strategy.
C) He lacks the organizational ability to accomplish the organization's goals.
D) He is not able to help others reach their full potential.

Answer: D
Explanation: At Level 5, the strategic leader builds enduring greatness by combining willpower and humility. This implies that a Level-5 executive works to help the organization succeed and others to reach their full potential. Even though Jared's division has exceeded expectations over the past three years, the fact that several of his employees feel that they are stagnating suggests that he has not mastered the capabilities necessary to be a level-5 executive.
Difficulty: 3 Hard
Topic: Top Management Teams
Learning Objective: 02-02 Outline how you can become a strategic leader.
Bloom's: Apply
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

19) 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.

Answer: D
Explanation: 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.
Difficulty: 2 Medium
Topic: Strategy and the Strategic Management Process
Learning Objective: 02-03 Describe the roles of corporate, business, and functional managers in strategy formulation and implementation.
Bloom's: Understand
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20) 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.

Answer: D
Explanation: 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.
Difficulty: 2 Medium
Topic: Strategy and the Strategic Management Process
Learning Objective: 02-03 Describe the roles of corporate, business, and functional managers in strategy formulation and implementation.
Bloom's: Apply
AACSB: Knowledge Application
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21) The former CEO of Sam's Club, a division with its own profit-and-loss responsibility, Rosalind Brewer, reported 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

Answer: B
Explanation: 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.
Difficulty: 3 Hard
Topic: Strategic Approaches to Winning a Sustainable Competitive Advantage
Learning Objective: 02-03 Describe the roles of corporate, business, and functional managers in strategy formulation and implementation.
Bloom's: Analyze
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22) The CEO of Chyron Media has decided to enter the markets of emerging nations like China and Brazil. This means that the books, magazines, and websites published under the Chyron Media 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

Answer: A
Explanation: The given scenario of Chyron Media describes a corporate strategy. Corporate strategy concerns questions relating to where to compete (industry, markets, and geography). Corporate executives at headquarters formulate corporate strategy.
Difficulty: 2 Medium
Topic: Strategic Approaches to Winning a Sustainable Competitive Advantage
Learning Objective: 02-03 Describe the roles of corporate, business, and functional managers in strategy formulation and implementation.
Bloom's: Apply
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

23) 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.

Answer: C
Explanation: As a part of strategy formulation, functional strategy concerns the question of how to implement business strategy.
Difficulty: 1 Easy
Topic: The Strategic Role of Managers in Strategy Formulation and Implementation
Learning Objective: 02-03 Describe the roles of corporate, business, and functional managers in strategy formulation and implementation.
Bloom's: Remember
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24) 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

Answer: A
Explanation: Corporate executives at headquarters formulate corporate strategy. Corporate executives need to decide in which industries, markets, and geographies their companies should compete.
Difficulty: 2 Medium
Topic: The Strategic Role of Managers in Strategy Formulation and Implementation
Learning Objective: 02-03 Describe the roles of corporate, business, and functional managers in strategy formulation and implementation.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

25) 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.

Answer: B
Explanation: 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.
Difficulty: 2 Medium
Topic: Strategic Approaches to Winning a Sustainable Competitive Advantage
Learning Objective: 02-03 Describe the roles of corporate, business, and functional managers in strategy formulation and implementation.
Bloom's: Understand
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26) Mercurial Foods is the parent company of several chain restaurants offering a variety of cuisines. The top management at Mercurial has decided to enter the frozen foods 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

Answer: A
Explanation: 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.
Difficulty: 2 Medium
Topic: Strategic Approaches to Winning a Sustainable Competitive Advantage
Learning Objective: 02-03 Describe the roles of corporate, business, and functional managers in strategy formulation and implementation.
Bloom's: Apply
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

27) Due to political instability in the country of East Gerdon, the strategic leaders at the headquarters of Mako Manufacturing have decided to close all production facilities in the country until stability returns. Mako's managers have formulated a _____-level strategy.
A) business
B) divisional
C) functional
D) corporate

Answer: D
Explanation: 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.
Difficulty: 2 Medium
Topic: Strategic Approaches to Winning a Sustainable Competitive Advantage
Learning Objective: 02-03 Describe the roles of corporate, business, and functional managers in strategy formulation and implementation.
Bloom's: Apply
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28) 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

Answer: D
Explanation: General managers in strategic business units (SBUs) must answer business strategy questions relating to how to compete in order to achieve superior performance.
Difficulty: 2 Medium
Topic: The Strategic Role of Managers in Strategy Formulation and Implementation
Learning Objective: 02-03 Describe the roles of corporate, business, and functional managers in strategy formulation and implementation.
Bloom's: Understand
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

29) Ida has been tasked with formulating the business strategy for Contour Cosmetics' new line of lipsticks. Which of the following ideas would Ida be likely to include in her proposal?
A) Open kiosks in shopping centers located in developing countries with rising disposable incomes.
B) Promote the lipsticks as the longest-lasting on the market.
C) Invest in building an online store for Contour products.
D) Reorganize the manufacturing division to gain efficiency.

Answer: B
Explanation: Business strategy concerns the question of how to compete. Three generic business strategies are available: cost leadership, differentiation, or value innovation. By suggesting that Contour market its new products as the longest-lasting, Ida is pursuing a differentiation strategy.
Difficulty: 2 Medium
Topic: The Strategic Role of Managers in Strategy Formulation and Implementation
Learning Objective: 02-03 Describe the roles of corporate, business, and functional managers in strategy formulation and implementation.
Bloom's: Apply
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30) 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.

Answer: C
Explanation: 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.
Difficulty: 2 Medium
Topic: Strategic Approaches to Winning a Sustainable Competitive Advantage
Learning Objective: 02-03 Describe the roles of corporate, business, and functional managers in strategy formulation and implementation.
Bloom's: Apply
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

31) 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

Answer: D
Explanation: 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.
Difficulty: 2 Medium
Topic: The Strategic Role of Managers in Strategy Formulation and Implementation
Learning Objective: 02-03 Describe the roles of corporate, business, and functional managers in strategy formulation and implementation.
Bloom's: Apply
AACSB: Knowledge Application
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32) 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

Answer: A
Explanation: 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.
Difficulty: 1 Easy
Topic: The Strategic Role of Managers in Strategy Formulation and Implementation
Learning Objective: 02-03 Describe the roles of corporate, business, and functional managers in strategy formulation and implementation.
Bloom's: Remember
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

33) Pear Tree Electronics is a large conglomerate that operates in 17 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, or the value of potential future revenues generated by all its customers in a lifetime. Based on this guideline received from the top management team, the product leader of the home audio division has decided to adopt a cost-leadership strategy in all his 17 units. Thus, the decision made by the product leader best illustrates a _____ strategy.
A) corporate
B) functional
C) grand
D) business

Answer: D
Explanation: 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.
Difficulty: 3 Hard
Topic: The Strategic Role of Managers in Strategy Formulation and Implementation
Learning Objective: 02-03 Describe the roles of corporate, business, and functional managers in strategy formulation and implementation.
Bloom's: Analyze
AACSB: Analytical Thinking
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34) 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.

Answer: D
Explanation: 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.
Difficulty: 1 Easy
Topic: The Strategic Role of Managers in Strategy Formulation and Implementation
Learning Objective: 02-03 Describe the roles of corporate, business, and functional managers in strategy formulation and implementation.
Bloom's: Remember
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

35) 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

Answer: D
Explanation: 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.
Difficulty: 1 Easy
Topic: Strategic Approaches to Winning a Sustainable Competitive Advantage
Learning Objective: 02-03 Describe the roles of corporate, business, and functional managers in strategy formulation and implementation.
Bloom's: Remember
AACSB: Knowledge Application
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36) The distribution department at Golden Grains Wheat Company has decided to adopt the FIFO (first in, first out) method of inventory to dispatch its bags of wheat. Which of the following strategies does this scenario best illustrate?
A) functional strategy
B) corporate strategy
C) master strategy
D) business strategy

Answer: A
Explanation: The distribution department of Golden Grains 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.
Difficulty: 2 Medium
Topic: Strategic Approaches to Winning a Sustainable Competitive Advantage
Learning Objective: 02-03 Describe the roles of corporate, business, and functional managers in strategy formulation and implementation.
Bloom's: Apply
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

37) 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.

Answer: C
Explanation: The strategic management process is a method put in place by strategic leaders to formulate and implement a strategy.
Difficulty: 1 Easy
Topic: The Strategic Role of Managers in Strategy Formulation and Implementation
Learning Objective: 02-04 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Bloom's: Remember
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38) 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.

Answer: B
Explanation: 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.
Difficulty: 1 Easy
Topic: Top-Down Strategic Planning and Scenario Planning
Learning Objective: 02-04 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Bloom's: Remember
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39) 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.

Answer: C
Explanation: 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.
Difficulty: 2 Medium
Topic: Top-Down Strategic Planning and Scenario Planning
Learning Objective: 02-04 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
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40) 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.

Answer: A
Explanation: 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.
Difficulty: 2 Medium
Topic: Top-Down Strategic Planning and Scenario Planning
Learning Objective: 02-04 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Bloom's: Understand
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41) Ivan is the founder of a firm producing self-driving vehicles. Because the industry is so new and chaotic, Ivan favors a top-down strategic planning approach in which he exerts strong control over all aspects of the business, from product development and design to manufacturing and marketing. What is wrong with this scenario?
A) The self-driving vehicle industry is changing too much for the top-down approach to be effective.
B) The top-down approach can only be applied to specific business functions.
C) The top-down approach leaves other employees uncertain about their roles in the company.
D) The top-down approach is expensive to maintain, leaving the company at a competitive disadvantage.

Answer: A
Explanation: Top-down strategic planning rests on the assumption that we can predict the future from the past. The approach works reasonably well when the environment does not change much. Because the self-driving vehicle industry is new and constantly changing, the top-down approach might leave the company unable to quickly and effectively respond to new developments and challenges.
Difficulty: 2 Medium
Topic: Top-Down Strategic Planning and Scenario Planning
Learning Objective: 02-04 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Bloom's: Apply
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42) 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

Answer: A
Explanation: 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.
Difficulty: 3 Hard
Topic: Top-Down Strategic Planning and Scenario Planning
Learning Objective: 02-04 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Bloom's: Analyze
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

43) 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 person at MP Foods Inc. suggested that the company should introduce an organic version of its gelato to cater to the needs of the increasingly health-conscious population.
C) The managers at Lyon Clothing Inc. formulated a strategy that is able to handle small to medium to large increases 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.

Answer: C
Explanation: 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.
Difficulty: 2 Medium
Topic: Top-Down Strategic Planning and Scenario Planning
Learning Objective: 02-04 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
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44) InTex manufactures medical devices. The firm's profitability depends on several variables that are subject to occasional change, including the cost of parts and labor, changes in medical practices, and the price of oil used in both manufacturing and shipping. To account for the potential impact of changes to any of these variables, InTex managers should implement a(n) _____ approach.
A) top-down strategic planning
B) scenario planning
C) upper-echelon
D) strategic business units

Answer: B
Explanation: In scenario planning, top management envisions different scenarios, to anticipate plausible futures in order to derive strategic responses. By implementing a scenario planning approach, InTex's managers can prepare strategic responses to any changes in the external environment.
Difficulty: 2 Medium
Topic: Top-Down Strategic Planning and Scenario Planning
Learning Objective: 02-04 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Bloom's: Apply
AACSB: Knowledge Application
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45) When the strong dictatorial rule in Backenstein unexpectedly collapsed due to the shocking death of the royal family in an explosion, the nation's economy experienced drastic changes. The laws became more restrictive, the country lost many locally produced resources and products, and the distribution of wealth became inequitable. The unexpected event that led to these changes can best be described as a(n) _____ event.
A) extinction
B) wild card
C) black swan
D) miracle

Answer: C
Explanation: The unexpected event that led to these changes can best be described as a black swan event. The metaphor of a black swan describes the high impact of a highly improbable event.
Difficulty: 2 Medium
Topic: Understanding a Firm's External Environment
Learning Objective: 02-05 Assess the relationship between stakeholder strategy and sustainable competitive advantage.
Bloom's: Apply
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46) 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

Answer: D
Explanation: Dominant strategic plan is the strategic option that top managers decide most closely matches the current reality and which is then executed.
Difficulty: 1 Easy
Topic: The Strategic Role of Managers in Strategy Formulation and Implementation
Learning Objective: 02-04 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Bloom's: Remember
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47) 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.

Answer: A
Explanation: 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.
Difficulty: 2 Medium
Topic: The Strategic Role of Managers in Strategy Formulation and Implementation
Learning Objective: 02-04 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
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48) After carefully assessing the market potential for solar-powered mobile devices, the top-level executives of Futuretronics Inc. decided that the company would be launching a line of solar-powered tablets within the next two years. This would mean that the tablet division would need to immediately begin 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

Answer: A
Explanation: Top-level executives design an intended strategy—the outcome of a rational and structured, top-down strategic plan.
Difficulty: 3 Hard
Topic: Methods of Strategy Implementation
Learning Objective: 02-04 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Bloom's: Analyze
AACSB: Analytical Thinking
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49) 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

Answer: C
Explanation: At times, parts of a firm's intended strategy fall by the wayside due to unpredictable events and thus turn into unrealized strategy.
Difficulty: 3 Hard
Topic: Methods of Strategy Implementation
Learning Objective: 02-04 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
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50) The production head at the Omnitone Paint Company would frequently stay back after office hours and experiment with new color combinations 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 interior paint colors, foggy morning and mint julep. The new colors proved popular among test groups, and quickly became some of Omnitone's best-selling products. Which of the following strategies does this scenario best illustrate?
A) intended strategy
B) emergent strategy
C) unrealized strategy
D) tactical strategy

Answer: B
Explanation: 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.
Difficulty: 3 Hard
Topic: Methods of Strategy Implementation
Learning Objective: 02-04 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Bloom's: Analyze
AACSB: Analytical Thinking
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51) 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

Answer: A
Explanation: A strategic initiative is any activity a firm pursues to explore and develop new products and processes, new markets, or new ventures.
Difficulty: 1 Easy
Topic: Strategic Approaches to Winning a Sustainable Competitive Advantage
Learning Objective: 02-04 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
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52) 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.

Answer: A
Explanation: 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.
Difficulty: 2 Medium
Topic: Strategic Approaches to Winning a Sustainable Competitive Advantage
Learning Objective: 02-04 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Bloom's: Understand
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53) Burke Furnishings is a company that manufactures and sells home furniture. It sources its materials from another country to keep costs low. An assembly line worker in one of its manufacturing centers noticed that there was increasing concern regarding the potential toxicity of the flame-resistant materials used in the furniture. In response, she compiled a list of nontoxic flame-resistant materials 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.

Answer: B
Explanation: 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.
Difficulty: 3 Hard
Topic: Strategic Approaches to Winning a Sustainable Competitive Advantage
Learning Objective: 02-04 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
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54) Zenya is the founder of an online service that allows users to rent out spare rooms in their homes. She has hired a number of extremely bright employees whose opinions are central to the company's success in the fast-paced online services industry. Which type of strategic management process would be most likely to fully utilize the strengths embodied by her team and position the company to capitalize upon autonomous actions and serendipity?
A) strategic planning
B) scenario planning
C) strategy as planned emergence
D) ad-hoc planning

Answer: C
Explanation: In the strategy as planned emergence process, organizational structure and systems allow both top-down vision and bottom-up strategic initiatives to emerge for evaluation and coordination by top management. This approach would allow Zenya to maintain her leadership role within the company while encouraging her employees to contribute their skills toward the strategy formulation and implementation processes.
Difficulty: 2 Medium
Topic: Strategic Approaches to Winning a Sustainable Competitive Advantage
Learning Objective: 02-04 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Bloom's: Analyze
AACSB: Analytical Thinking
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55) 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.

Answer: B
Explanation: Successful emergent strategies are sometimes the result of serendipity combined with autonomous actions of lower-level employees.
Difficulty: 2 Medium
Topic: Strategic Approaches to Winning a Sustainable Competitive Advantage
Learning Objective: 02-04 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
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56) In Strategy Highlight 2.1, 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.

Answer: D
Explanation: Functional managers like Diana, the Starbucks store manager featured in Strategy Highlight 2.1, 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.
Difficulty: 2 Medium
Topic: Strategic Approaches to Winning a Sustainable Competitive Advantage
Learning Objective: 02-04 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
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57) Carlos is the manager of a graphic design firm, and he relies on a top-down strategic management approach to maintain tight control over the activities of his employees. The company has recently started to lose market share to its more innovative competitors, and Carlos wants to encourage his employees to start contributing to the strategy formulation process to make the company more competitive. Which of the following steps should Carlos take?
A) Designate Friday afternoons as time for employees to pursue outside interests loosely related to the business.
B) Schedule individual meetings with employees and demand that they come prepared with five ideas.
C) Take an extended vacation and see how the business naturally reorganizes itself in his absence.
D) Allow employees to take whatever approach they feel is appropriate when dealing with customers.

Answer: A
Explanation: Strategic leaders that want to create a work environment in which autonomous actions and serendipity can flourish often provide time and resources for employees to pursue other interests. In the strategy-as-planned-emergence approach, however, executives still need to decide which of the bottom-up initiatives to pursue and which to shut down.
Difficulty: 2 Medium
Topic: Strategic Approaches to Winning a Sustainable Competitive Advantage
Learning Objective: 02-04 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
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58) 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"

Answer: D
Explanation: 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.
Difficulty: 2 Medium
Topic: Methods of Strategy Implementation
Learning Objective: 02-04 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Bloom's: Apply
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59) 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.

Answer: C
Explanation: 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.
Difficulty: 2 Medium
Topic: Methods of Strategy Implementation
Learning Objective: 02-04 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
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60) 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.

Answer: B
Explanation: 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.
Difficulty: 1 Easy
Topic: Top-Down Strategic Planning and Scenario Planning
Learning Objective: 02-04 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Bloom's: Remember
AACSB: Knowledge Application
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61) Due to several black swan events in the past, the
A) shareholders of public companies have become more confident in investing their resources in businesses.
B) need for corporate governance and transparency has decreased within various industries.
C) nations around the globe have explicitly appreciated and accepted capitalism as an economic system.
D) implicit trust relationship between the corporate world and society at large has deteriorated.

Answer: D
Explanation: The implicit trust relationship between the corporate world and society at large has deteriorated due to the arrival of several black swans.
Difficulty: 2 Medium
Topic: Top-Down Strategic Planning and Scenario Planning
Learning Objective: 02-05 Assess the relationship between stakeholder strategy and sustainable competitive advantage.
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62) Which of the following was a key motivator for participants in the Occupy movement of 2011?
A) the need for a capitalist economic system
B) the issue of income disparity
C) the need to reduce government intervention in businesses
D) the desire to dump ecologically dangerous products overseas

Answer: B
Explanation: In the United States, the Occupy Wall Street protest movement was born in 2011 out of dissatisfaction with the capitalist system. Issues of income disparity, corporate ethics, corporate influence on governments, and ecological sustainability were key drivers.
Difficulty: 1 Easy
Topic: Top-Down Strategic Planning and Scenario Planning
Learning Objective: 02-05 Assess the relationship between stakeholder strategy and sustainable competitive advantage.
Bloom's: Remember
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

63) Vincente, a retired CEO, invests capital in a start-up company that creates budgeting software. He mentors the entrepreneur and the employees of the company because he wants the company to perform well and survive in the market. Thus, Vincente is the start-up company's
A) headhunter.
B) category captain.
C) employee.
D) stakeholder.

Answer: D
Explanation: Vincente is the start-up company's stakeholder. Stakeholders have a vested claim or interest in the performance and continued survival of the firm. They can be organizations, groups, or individuals who can affect or be affected by a firm's actions.
Difficulty: 2 Medium
Topic: Stakeholders and Stakeholder Analysis
Learning Objective: 02-05 Assess the relationship between stakeholder strategy and sustainable competitive advantage.
Bloom's: Apply
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64) Organic Food Inc., a multinational company, relies on its media partner Radio Plus to regularly advertise its offers, sales, and new products. Radio Plus is invested in this relationship because it generates most of its revenue from advertising Organic Food's products. In this scenario, Radio Plus is Organic Food Inc.'s
A) stockholder.
B) workforce.
C) internal stakeholder.
D) external stakeholder.

Answer: D
Explanation: In this scenario, Radio Plus is Organic Food Inc.'s external stakeholder. External stakeholders include customers, suppliers, alliance partners, creditors, unions, communities, media, and governments at various levels.
Difficulty: 2 Medium
Topic: Stakeholders and Stakeholder Analysis
Learning Objective: 02-05 Assess the relationship between stakeholder strategy and sustainable competitive advantage.
Bloom's: Apply
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

65) Eleanor owns a large portion of Apex Apparel's stock. However, she is not employed by the company. In this scenario, Rachel is the company's
A) external stakeholder.
B) internal stakeholder.
C) creditor.
D) customer.

Answer: B
Explanation: In this scenario, Eleanor is the company's internal stakeholder. Internal stakeholders of a firm include stockholders, employees (including executives, managers, and workers), and board members.
Difficulty: 3 Hard
Topic: Stakeholders and Stakeholder Analysis
Learning Objective: 02-05 Assess the relationship between stakeholder strategy and sustainable competitive advantage.
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66) Windmill Inc., a vendor, regularly supplies capacitors to Inland Electronics for use in its products. Therefore, Windmill Inc. is Inland Electronics'
A) internal stakeholder.
B) director.
C) shareholder.
D) external stakeholder.

Answer: D
Explanation: Windmill Inc. is Inland Electronics' external stakeholder. External stakeholders include customers, suppliers, alliance partners, creditors, unions, communities, media, and governments at various levels.
Difficulty: 2 Medium
Topic: Stakeholders and Stakeholder Analysis
Learning Objective: 02-05 Assess the relationship between stakeholder strategy and sustainable competitive advantage.
Bloom's: Apply
AACSB: Knowledge Application
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67) Which of the following best qualifies as a firm's internal stakeholder?
A) an auditor assigned to the firm by a federal government agency
B) a labor union with whom the firm's employees can affiliate
C) a manager taking care of the firm's operations in a foreign market
D) a competitor manufacturing the same products as that of the firm

Answer: C
Explanation: A manager taking care of the firm's operations in a foreign market best qualifies as the firm's internal stakeholder. A firm's internal stakeholders include stockholders, employees (including executives, managers, and workers), and board members.
Difficulty: 2 Medium
Topic: Stakeholders and Stakeholder Analysis
Learning Objective: 02-05 Assess the relationship between stakeholder strategy and sustainable competitive advantage.
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68) The best example of a firm's external stakeholder is a(n)
A) government agency that regulates the prices of products manufactured by the firm.
B) board member from a wholly-owned foreign subsidiary of the firm.
C) shareholder who has invested money in the firm but is not employed by the firm.
D) employee of the firm who is responsible for a contract project.

Answer: A
Explanation: The best example of a firm's external stakeholder is a government agency that regulates the prices of products manufactured by the firm. External stakeholders of a firm include customers, suppliers, alliance partners, creditors, unions, communities, media, and governments at various levels.
Difficulty: 2 Medium
Topic: Stakeholders and Stakeholder Analysis
Learning Objective: 02-05 Assess the relationship between stakeholder strategy and sustainable competitive advantage.
Bloom's: Apply
AACSB: Knowledge Application
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69) The interaction between a firm and its diverse internal and external stakeholders is best described as a(n)
A) ergonomic relationship.
B) cartel arrangement.
C) exchange relationship.
D) fiduciary responsibility.

Answer: C
Explanation: All stakeholders make specific contributions to a firm, which in turn provides different types of benefits to different stakeholders. The firm, therefore, is embedded in a multifaceted exchange relationship with a number of diverse internal and external stakeholders.
Difficulty: 1 Easy
Topic: Stakeholders and Stakeholder Analysis
Learning Objective: 02-05 Assess the relationship between stakeholder strategy and sustainable competitive advantage.
Bloom's: Remember
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70) BlueStainless Corp. has been able to gain and sustain a competitive advantage due to its strong relationship with its employees, customers, suppliers, and local communities. The company believes in lifetime employment and ensures that its employees grow along with the company. Investors are more than satisfied with the returns on their investments. Also, 3 percent of the company's profit is spent on community development. With initiatives like these, customers feel privileged to associate themselves with BlueStainless products. This scenario best illustrates the implementation of a
A) strategic analysis.
B) stakeholder strategy.
C) wild card event.
D) black swan event.

Answer: B
Explanation: The scenario best illustrates the implementation of a stakeholder strategy. Stakeholder strategy is an integrative approach to managing a diverse set of stakeholders effectively in order to gain and sustain competitive advantage.
Difficulty: 3 Hard
Topic: Stakeholders and Stakeholder Analysis
Learning Objective: 02-05 Assess the relationship between stakeholder strategy and sustainable competitive advantage.
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71) Which of the following scenarios best illustrates a good stakeholder strategy?
A) VP Inc. follows a strategy in which maximization of the shareholder's wealth is the primary concern of the managers.
B) Carrvero Inc. ensures that its employees are paid the least in the industry so that its external stakeholders can get the best price.
C) PA Corp. distributes only 40 percent of its annual profit after taxes to shareholders, while the remaining is invested for further research, and distributed among employees and the local community.
D) Gen Pharma Corp. ensures that it fully exploits free natural resources, so that most of its profits go to shareholders in the form of dividends.

Answer: C
Explanation: PA Corp. demonstrates a good stakeholder strategy because it distributes only 40 percent of its annual profit after taxes to its shareholders, while the remaining is invested for further research, and distributed among employees and the local community. A core tenet of stakeholder strategy is that a single-minded focus on shareholders alone exposes a firm to undue risks that can undermine economic performance and can even threaten the very survival of the enterprise.
Difficulty: 2 Medium
Topic: Stakeholders and Stakeholder Analysis
Learning Objective: 02-05 Assess the relationship between stakeholder strategy and sustainable competitive advantage.
Bloom's: Apply
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

72) PowerPills is a highly successful vitamin manufacturer. At the close of its most recent fiscal year, the company's balance sheet showed cash holdings of $110 million. Which of the following actions will provide the most benefit for stakeholders?
A) Reinvest profits into expanding the company and creating more jobs.
B) Reward the CEO with a significant bonus payment.
C) Save the excess cash as a precaution against black swan events.
D) Buy out the leading competitor to reduce competition and maintain price stability.

Answer: A
Explanation: Stakeholders are any organizations, groups, or individuals that can affect or be affected by a firm's actions. By reinvesting profits in growing the company, PowerPills can provide more opportunities for employment and create value for society. This is turn lays the foundation for the benefits that successful economies can provide: education, infrastructure, public safety, health care, clean water and air, among others.
Difficulty: 2 Medium
Topic: Stakeholders and Stakeholder Analysis
Learning Objective: 02-05 Assess the relationship between stakeholder strategy and sustainable competitive advantage.
Bloom's: Apply
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73) The first step in stakeholder impact analysis involves
A) formulating a stakeholder strategy to balance the different needs of various stakeholders.
B) identifying the opportunities and threats the stakeholders present.
C) describing the economic, legal, ethical, and philanthropic responsibilities of the firm toward society.
D) identifying the stakeholders that currently have, or potentially can have, a material effect on a company.

Answer: D
Explanation: In the first step of stakeholder impact analysis, the firm focuses on stakeholders that currently have, or potentially can have, a material effect on a company. This prioritization identifies the most powerful stakeholders (both internal and external) and their needs.
Difficulty: 2 Medium
Topic: Stakeholders and Stakeholder Analysis
Learning Objective: 02-06 Conduct a stakeholder impact analysis.
Bloom's: Understand
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

74) After a firm has identified its key stakeholders in stakeholder impact analysis, the immediate next step is to
A) recognize the opportunities and threats the stakeholders present.
B) identify stakeholders' interests and claims.
C) formulate a stakeholder strategy.
D) address the stakeholders' concerns.

Answer: B
Explanation: In step 1 of stakeholder impact analysis, the firm focuses on stakeholders that currently have, or potentially can have, a material effect on a company. In step 2, the firm asks, "What are our stakeholders' interests and claims?" Managers need to specify and assess the interests and claims of the pertinent stakeholders using the power, legitimacy, and urgency criteria.
Difficulty: 2 Medium
Topic: Stakeholders and Stakeholder Analysis
Learning Objective: 02-06 Conduct a stakeholder impact analysis.
Bloom's: Remember
AACSB: Knowledge Application
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75) As the legal owners, _____ have the most legitimate claim on a company's profits.
A) creditors
B) employees
C) shareholders
D) board members

Answer: C
Explanation: As the legal owners, shareholders have the most legitimate claim on a company's profits. A firm has to ensure that its primary stakeholders—the firm's shareholders and other investors—achieve their objectives.
Difficulty: 1 Easy
Topic: Stakeholders and Stakeholder Analysis
Learning Objective: 02-06 Conduct a stakeholder impact analysis.
Bloom's: Remember
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

76) Which of the following is typically an economic responsibility of a firm?
A) sourcing raw materials from highly developed countries
B) paying adequate returns to the firm's stockholders on the capital invested by them
C) donating resources, in terms of money and time, toward community development
D) helping a nation increase its import of goods and services

Answer: B
Explanation: The business enterprise is first and foremost an economic institution. Investors expect an adequate return for their risk capital. Consumers expect safe products and services at appropriate prices and quality. Suppliers expect to be paid in full and on time.
Difficulty: 2 Medium
Topic: Corporate Social Responsibility and Sustainability
Learning Objective: 02-06 Conduct a stakeholder impact analysis.
Bloom's: Understand
AACSB: Knowledge Application
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77) The minimum wage in the country of New Morland is $8 an hour. Odion, a restaurant in New Morland's capital city, pays its servers $8 per hour. However, the management of the restaurant feels that this amount is excessive for workers whose only job is to clear tables. By continuing to adhere to the rules set by the government of New Morland, which of the following responsibilities is Odion satisfying?
A) legal responsibilities
B) philanthropic responsibilities
C) ethical responsibilities
D) demographic responsibilities

Answer: A
Explanation: By adhering to the rules set by the government of New Morland, Odion is satisfying its legal responsibilities. Laws and regulations are a society's codified ethics, embodying notions of right and wrong. They also establish the rules of the game.
Difficulty: 2 Medium
Topic: Corporate Social Responsibility and Sustainability
Learning Objective: 02-06 Conduct a stakeholder impact analysis.
Bloom's: Apply
AACSB: Ethics
Accessibility: Keyboard Navigation

78) The amount of xylene that can be used in household paint is legally limited to 0.03 percent. Anything beyond this amount is hazardous to health and the environment, and considered a legal offense. Consequently, CW Paints Corp. has vouched to make its products as safe as possible. Therefore, it manufactures xylene-free paints even though this increases its costs and reduces the dividends paid to its shareholders in the long run. Which of the following responsibilities is CW Paints Corp. primarily *compromising* in this scenario?
A) legal responsibilities toward the government
B) economic responsibilities toward its shareholders
C) philanthropic responsibilities toward the local community
D) ethical responsibilities toward the society

Answer: B
Explanation: CW Paints Corp. is primarily compromising its economic responsibilities toward its shareholders. The business enterprise is first and foremost an economic institution. Investors expect an adequate return for their risk capital. Firms must obey the law and act ethically in their quest to gain and sustain competitive advantage.
Difficulty: 2 Medium
Topic: Corporate Social Responsibility and Sustainability
Learning Objective: 02-06 Conduct a stakeholder impact analysis.
Bloom's: Apply
AACSB: Ethics
Accessibility: Keyboard Navigation

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79) Patriot Tools, a company that manufactures industrial tools, incurs higher costs because of its refusal to outsource its manufacturing to countries where labor costs are lower. This reflects Patriot Tools' _____ responsibility.
A) economic
B) legal
C) ethical
D) demographic

Answer: C
Explanation: This reflects Patriot Tools' ethical responsibility. A firm's ethical responsibilities go beyond its legal responsibilities. They embody the full scope of expectations, norms, and values of its stakeholders. Managers are called upon to do what society deems just and fair.
Difficulty: 2 Medium
Topic: Corporate Social Responsibility and Sustainability
Learning Objective: 02-06 Conduct a stakeholder impact analysis.
Bloom's: Apply
AACSB: Ethics
Accessibility: Keyboard Navigation

80) Perpetual Batteries recently came under criticism when a newspaper article revealed that the company's production plant had leaked a chemical compound into a sensitive wetland ecosystem. Although use of the chemical was not technically prohibited by law, the local government levied a small fine for cleaning up the spill. Environmental groups, however, argued that continued use of the chemical was damaging to the local wildlife and threatened to organize a boycott against Perpetual Batteries. What should Perpetual Batteries do to ensure that it meets its ethical responsibilities?
A) Pay the fine levied by the local government and resume operations.
B) Move its production facilities to an area that is less concerned with environmental issues.
C) Take out an advertisement arguing that use of the chemical is perfectly legal.
D) Design batteries without the chemical and market them as environmentally friendly.

Answer: D
Explanation: A firm's ethical responsibilities go beyond its legal responsibilities. In this case, Perpetual Batteries had a legal responsibility to pay the fine, but its ethical responsibilities to its stakeholders required the firm to eliminate use of the controversial chemical entirely. By doing so, the firm was motivated to produce a new line of environmentally-friendly products and turned a threat into an opportunity.
Difficulty: 3 Hard
Topic: Corporate Social Responsibility and Sustainability
Learning Objective: 02-06 Conduct a stakeholder impact analysis.
Bloom's: Apply
AACSB: Ethics
Accessibility: Keyboard Navigation

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81) Which of following practices of a firm satisfies its ethical responsibilities?
A) using plastic as the packaging material though it is harmful to the environment, yet legal
B) outsourcing production to a less developed country and paying wages that are below its own country's accepted minimum wages
C) using advertising and other forms of promotion to endorse luxurious lifestyles
D) selling vaccines at a subsidized price in a less developed country even though this results in reduced shareholder returns

Answer: D
Explanation: Selling vaccines at a subsidized price in a less developed country even though this results in reduced shareholder returns satisfies a firm's ethical responsibilities. A firm's ethical responsibilities go beyond its legal responsibilities. They embody the full scope of expectations, norms, and values of its stakeholders. Managers are called upon to do what society deems just and fair.
Difficulty: 2 Medium
Topic: Corporate Social Responsibility and Sustainability
Learning Objective: 02-06 Conduct a stakeholder impact analysis.
Bloom's: Apply
AACSB: Ethics
Accessibility: Keyboard Navigation

82) In the pyramid of corporate social responsibility, _____ responsibilities are the foundational building block.
A) economic
B) ethical
C) philanthropic
D) legal

Answer: A
Explanation: Economic responsibilities are the foundational building block, followed by legal, ethical, and philanthropic responsibilities. The business enterprise is first and foremost an economic institution.
Difficulty: 1 Easy
Topic: Corporate Social Responsibility and Sustainability
Learning Objective: 02-06 Conduct a stakeholder impact analysis.
Bloom's: Remember
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83) Which of the following statements is true of the social responsibilities of a business?
A) A firm's ethical responsibilities go beyond its legal responsibilities.
B) Shareholders mandatorily require a firm to perform its ethical and philanthropic responsibilities.
C) Ethical responsibilities are the foundational building block of a firm's social responsibility.
D) Legal responsibilities are often subsumed under the idea of corporate citizenship, reflecting the notion of voluntarily giving back to society.

Answer: A
Explanation: A firm's ethical responsibilities go beyond its legal responsibilities. They embody the full scope of expectations, norms, and values of its stakeholders. Managers are called upon to do what society deems just and fair.
Difficulty: 2 Medium
Topic: Corporate Social Responsibility and Sustainability
Learning Objective: 02-06 Conduct a stakeholder impact analysis.
Bloom's: Understand
AACSB: Ethics
Accessibility: Keyboard Navigation

84) The founder of T-Square Construction strongly believes in the notion of corporate social responsibility, so he has proposed a number of philanthropic activities that he expects the company to pursue. In order to accomplish this vision, the managers should first
A) review all legal codes in the areas in which T-Square operates and ensure all permits are up-to-date.
B) ensure that the company is profitable and has a sustainable competitive advantage.
C) make sure it is paying employees wages that allow them to live comfortably.
D) ask for public input on issues that the company can help address.

Answer: B
Explanation: As illustrated in exhibit 2.10, the firm is first and foremost an economic institution. Without first gaining and sustaining a competitive advantage, T-Square would not have the resources to meet the rest of its legal, ethical, and philanthropic responsibilities and achieve the founder's vision of giving back to society.
Difficulty: 2 Medium
Topic: Corporate Social Responsibility and Sustainability
Learning Objective: 02-06 Conduct a stakeholder impact analysis.
Bloom's: Understand
AACSB: Ethics
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85) In the final step of the stakeholder impact analysis, a firm
A) identifies its stakeholders' interests and claims.
B) differentiates its internal stakeholders from its external stakeholders.
C) recognizes the opportunities and threats stakeholders present.
D) decides a course of action to address the stakeholders' concerns.

Answer: D
Explanation: In the final step of the stakeholder impact analysis, the firm asks, "What should we do to effectively address any stakeholder concerns?"
Difficulty: 2 Medium
Topic: Stakeholders and Stakeholder Analysis
Learning Objective: 02-06 Conduct a stakeholder impact analysis.
Bloom's: Understand
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

86) Define strategic leadership.

Answer: Strategic leadership pertains to executives' use of power and influence to direct the activities of others when pursuing an organization's goals.
Difficulty: 1 Easy
Topic: The Strategic Role of Managers in Strategy Formulation and Implementation
Learning Objective: 02-01 Explain the role of strategic leaders and what they do.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

87) Explain the role of power in the strategic leadership process

Answer: Power is defined as the strategic leader's ability to influence the behavior of other organizational members to do things, including things they would not do otherwise. Strategic leaders can draw on position power as vested in their authority, for example, as chief executive officer (CEO), as well as informal power, such as persuasion to influence others when implementing strategy.
Difficulty: 2 Medium
Topic: The Strategic Role of Managers in Strategy Formulation and Implementation
Learning Objective: 02-01 Explain the role of strategic leaders and what they do.
Bloom's: Remember
AACSB: Analytical Thinking
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88) What does the upper-echelons theory propagate?

Answer: 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). The theory states that executives interpret situations through the lens of their unique perspectives, shaped by personal circumstances, values, and experiences. Their leadership actions reflect characteristics of age, education, and career experiences, filtered through personal interpretations of the situations they face. The upper-echelons theory favors the idea that strong leadership is the result of both innate abilities and learning.
Difficulty: 1 Easy
Topic: Top Management Teams
Learning Objective: 02-02 Outline how you can become a strategic leader.
Bloom's: Remember
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

89) Briefly describe the level-5 leadership pyramid.

Answer: According to the Level-5 leadership pyramid, effective strategic leaders go through a natural progression of five different levels. Each level builds upon the previous one; the manager can move on to the next level of leadership only when the current level has been mastered. The five levels are: highly capable individual, contributing team member, competent manager, effective leader, and executive.
Difficulty: 1 Easy
Topic: Top Management Teams
Learning Objective: 02-02 Outline how you can become a strategic leader.
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90) Who formulates a company's corporate strategy? What is the objective of this strategy?

Answer: Corporate executives at headquarters formulate corporate strategy. Corporate executives need to decide in which industries, markets, and geographies their companies should compete. 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. They are responsible for setting overarching strategic objectives and allocating scarce resources among different business divisions, monitoring performance, and making adjustments to the overall portfolio of businesses as needed. The objective of corporate-level strategy is to increase overall corporate value so that it is higher than the sum of the individual business units.
Difficulty: 2 Medium
Topic: The Strategic Role of Managers in Strategy Formulation and Implementation
Learning Objective: 02-03 Describe the roles of corporate, business, and functional managers in strategy formulation and implementation.
Bloom's: Understand
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

91) What is a strategic business unit (SBU)? Explain with an example.

Answer: Student answers may vary.

Business strategy occurs within strategic business units, or SBUs, the standalone divisions of a larger conglomerate, each with its own profit-and-loss responsibility. Companies can be organized on a geographic or a product basis to form SBUs. An example of a SBU would be the automobile division of a large conglomerate that also manufactures and sells pharmaceuticals, apparel, consumer electronics, and other such products.
Difficulty: 2 Medium
Topic: Strategic Approaches to Winning a Sustainable Competitive Advantage
Learning Objective: 02-03 Describe the roles of corporate, business, and functional managers in strategy formulation and implementation.
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92) Describe the traditional top-down strategic planning process.

Answer: In the 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. Five-year plans, revisited regularly, predict future sales based on anticipated future growth. Top executives tie the allocation of the annual corporate budget to the strategic plan and monitor ongoing performance accordingly. 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. Appropriate organizational structures and controls as well as governance mechanisms aid in effective implementation. In this process, the formulation of strategy is separate from implementation, and thinking about strategy is separate from doing it. Information flows one way only: top-down.

At times, strategic leaders impose their visions onto a company's strategy, structure, and culture from the top down in order to create and enact a desired future state.
Difficulty: 2 Medium
Topic: Top-Down Strategic Planning and Scenario Planning
Learning Objective: 02-04 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Bloom's: Remember
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

93) What is the drawback in top-down strategic planning?

Answer: 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. One major shortcoming of the strategic planning approach is that the future cannot be easily known. Strategic leaders' visions of the future can be downright wrong; unforeseen events can make even the most scientifically developed and formalized plans obsolete. Thus, many companies are now using a more flexible approach in their strategic management process.
Difficulty: 2 Medium
Topic: Top-Down Strategic Planning and Scenario Planning
Learning Objective: 02-04 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Bloom's: Understand
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94) What makes scenario planning more flexible than top-down strategic planning?

Answer: 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. The goal in 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.

The circular nature of the scenario-planning model allows for continuous interaction among analysis, formulation, and implementation. Through this interactive process, managers can adjust and modify their actions as new realities emerge. The interdependence among analysis, formulation, and implementation also enhances organizational learning and flexibility.
Difficulty: 1 Easy
Topic: Top-Down Strategic Planning and Scenario Planning
Learning Objective: 02-04 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Bloom's: Remember
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

95) What are the arguments against top-down strategic planning and scenario planning?

Answer: 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. Managers doing strategic planning may also fall prey to an illusion of control—that is, the hard numbers in a strategic plan can convey a false sense of security. According to critics of strategic planning, 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.
Difficulty: 2 Medium
Topic: Top-Down Strategic Planning and Scenario Planning
Learning Objective: 02-04 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Bloom's: Understand
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96) Differentiate between a firm's intended, realized, and emergent strategies.

Answer: Top-level executives design an intended strategy—the outcome of a rational and structured, top-down strategic plan. 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. A firm's realized strategy is generally a combination of its top-down strategic intentions and bottom-up emergent strategy.
Difficulty: 2 Medium
Topic: Methods of Strategy Implementation
Learning Objective: 02-04 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Bloom's: Remember
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

97) Discuss the role of lower-level employees in the strategy-as-planned-emergence approach.

Answer: Lower-level employees focus mainly on strategy implementation when a firm is using top-down or scenario planning. Any employee (even at the entry level) can have great ideas that might become strategic initiatives with the potential to transform companies. Thus, in the planned emergence process, organizational structure and systems should allow bottom-up strategic initiatives to emerge.
Difficulty: 2 Medium
Topic: Methods of Strategy Implementation
Learning Objective: 02-04 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.
Bloom's: Remember
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

98) Who are a firm's stakeholders?

Answer: Stakeholders are organizations, groups, and individuals who can affect or be affected by a firm's actions. Stakeholders have a vested claim or interest in the performance and continued survival of the firm. Stakeholders can be grouped by whether they are internal or external to a firm. All stakeholders make specific contributions to a firm, which in turn provides different types of benefits to different stakeholders.
Difficulty: 2 Medium
Topic: Stakeholders and Stakeholder Analysis
Learning Objective: 02-05 Assess the relationship between stakeholder strategy and sustainable competitive advantage.
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99) A firm is embedded in a multifaceted exchange relationship with a number of diverse internal and external stakeholders. Elaborate on this statement and provide multiple examples of the exchange relationship between a firm and its stakeholders including what each party contributes.

Answer: All stakeholders make specific contributions to a firm, which in turn provides different types of benefits to different stakeholders. Employees contribute their time and talents to the firm, receiving wages and salaries in exchange. Shareholders contribute capital in the hope that the stock will rise and the firm will pay dividends. Communities provide real estate, infrastructure, and public safety. In return, they expect that companies will pay taxes, provide employment, and not pollute the environment. The firm, therefore, is embedded in a multifaceted exchange relationship with a number of diverse internal and external stakeholders. If any of the stakeholders withholds participation in the firm's exchange relationships, it can have severe negative performance implications.
Difficulty: 3 Hard
Topic: Stakeholders and Stakeholder Analysis
Learning Objective: 02-05 Assess the relationship between stakeholder strategy and sustainable competitive advantage.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

100) What is meant by corporate social responsibility (CSR)?

Answer: To identify a firm's responsibilities toward its stakeholders, scholars have advanced the notion of corporate social responsibility (CSR). This framework helps firms recognize and address the economic, legal, ethical, and philanthropic expectations that society has of the business enterprise at a given point in time. CSR goes beyond the notion of encouraging businesses to "just be nice." Instead, managers need to realize that society grants shareholders the right and privilege to create a publicly traded stock company, and therefore the firm owes something to society. Moreover, CSR provides managers with a conceptual model that more completely describes a society's expectations and can guide strategic decision making more effectively.
Difficulty: 2 Medium
Topic: Corporate Social Responsibility and Sustainability
Learning Objective: 02-06 Conduct a stakeholder impact analysis.
Bloom's: Remember
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101) Discuss the pyramid of corporate social responsibility (CSR).

Answer: The pyramid summarizes the four components of corporate social responsibility. Economic responsibilities are the foundational building block, followed by legal, ethical, and philanthropic responsibilities. Society and shareholders require economic and legal responsibilities. Ethical and philanthropic responsibilities result from a society's expectations toward business. The pyramid of CSR symbolizes the need for firms to carefully balance their social responsibilities. Doing so ensures not only effective strategy implementation, but also long-term viability.
Difficulty: 2 Medium
Topic: Corporate Social Responsibility and Sustainability
Learning Objective: 02-06 Conduct a stakeholder impact analysis.
Bloom's: Understand
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