

## **Chapter 02**

# **Charting a Company's Direction: Vision and Mission, Objectives, and Strategy**

### **Multiple Choice Questions**

#### **What Does the Strategy-Making, Strategy-Executing Process Entail?**

1. Which one of the following is *not* one of the five basic tasks of the strategy-making, strategy-executing process?

- A. Forming a strategic vision of where the company needs to head and what its future business make-up will be
- B. Setting objectives to convert the strategic vision into specific strategic and financial performance outcomes for the company to achieve
- C. Crafting a strategy to achieve the objectives and get the company where it wants to go
- D. Developing a profitable business model
- E. Implementing and executing the chosen strategy efficiently and effectively

2. Which of the following is an integral part of the managerial process of crafting and executing strategy?

- A. Developing a proven business model
- B. Deciding how much of the company's resources to employ in the pursuit of sustainable competitive advantage
- C. Setting objectives and using them as yardsticks for measuring the company's performance and progress
- D. Communicating the company's values and code of conduct to all employees
- E. Deciding on the company's strategic intent

3. Which of the following are integral parts of the managerial process of crafting and executing strategy?

- A. Developing a strategic vision, setting objectives, and crafting a strategy
- B. Developing a proven business model, deciding on the company's strategic intent, and crafting a strategy
- C. Setting objectives, crafting a strategy, implementing and executing the chosen strategy, and deciding how much of the company's resources to employ in the pursuit of sustainable competitive advantage
- D. Coming up with a statement of the company's mission and purpose, setting objectives, choosing what business approaches to employ, selecting a business model, and monitoring developments
- E. Deciding on the company's strategic intent, setting financial objectives, crafting a strategy, and choosing what business approaches and operating practices to employ

4. The strategy-making, strategy-executing process

- A. is usually delegated to members of a company's board of directors so as not to infringe on the time of busy executives.
- B. includes establishing a company's mission, developing a business model aimed at making the company an industry leader, and crafting a strategy to implement and execute the business model.
- C. embraces the tasks of developing a strategic vision, setting objectives, crafting a strategy, implementing and executing the strategy, and then monitoring developments and initiating corrective adjustments in light of experience, changing conditions, and new opportunities.
- D. is principally concerned with sizing up an organization's internal and external situation, so as to be prepared for the challenge of developing a sound business model.
- E. is primarily the responsibility of top executives and the board of directors; very few managers below this level are involved.

### **Stage 1: Developing a Strategic Vision, a Mission, and a Set of Core Values**

5. A company's strategic vision concerns

- A. "who we are and what we do."
- B. why the company does certain things in trying to please its customers.
- C. management's storyline of how it intends to make a profit with the chosen strategy.
- D. a company's directional path and future product-market-customer-technology focus.
- E. what future actions the enterprise will likely undertake to outmaneuver rivals and achieve a sustainable competitive advantage.

6. A company's strategic vision

- A. is management's story line for how it plans to implement and execute a profitable business model.
- B. sets forth what business the company is presently in and why it uses particular operating practices in trying to please customers.
- C. delineates management's aspirations for the business, providing a panoramic view of "where we are going" and a convincing rationale for why this makes good business sense.
- D. defines "who we are and what we do."
- E. spells out a company's strategic intent, its strategic and financial objectives, and the business approaches and operating practices that will underpin its efforts to achieve sustainable competitive advantage.

7. Developing a strategic vision for a company entails

- A. prescribing a strategic direction for the company to pursue and a rationale for why this strategic path makes good business sense.
- B. describing its business model and the kind of value that it is trying to deliver to customers.
- C. putting together a story line of why the business will be a moneymaker.
- D. describing "who we are and what we do."
- E. coming up with a long-term plan for outcompeting rivals and achieving a competitive advantage.

8. The managerial task of developing a strategic vision for a company

A. concerns deciding what approach the company should take to implement and execute its business model.

B. entails coming up with a fairly specific answer to "who are we, what do we do, and why are we here?"

C. is chiefly concerned with addressing what a company needs to do to successfully outcompete rivals in the marketplace.

D. involves deciding upon what strategic course a company should pursue in preparing for the future and why this directional path makes good business sense.

E. entails coming up with a persuasive storyline of how the company intends to make money.

9. Which one of the following is *not* an accurate attribute of an organization's strategic vision?

A. Providing a panoramic view of "where we are going"

B. Outlining how the company intends to implement and execute its business model

C. Pointing an organization in a particular direction and charting a strategic path for it to follow

D. Helping mold an organization's character and identity

E. Describing the company's future product-market-customer-technology focus

10. Management's strategic vision for an organization

A. charts a strategic course for the organization ("where we are going") and provides a rationale for why this directional path makes good sense.

B. describes in fairly specific terms the organization's strategic intent, strategic objectives, and strategy.

C. spells out how the company will become a big moneymaker and boost shareholder value.

D. addresses the critical issue of "why our business model needs to change and how we plan to change it."

E. spells out the organization's strategic intent and the actions and moves that will be undertaken to achieve it.

11. What a company's top executives are saying about where the company is headed and about what the company's future product-customer-market-technology will be
- A. indicates what kind of business model the company is going to have in the future.
  - B. constitutes their strategic vision for the company.
  - C. signals what the firm's strategy will be.
  - D. serves to define the company's mission.
  - E. indicates what the company's long-term strategic plan is.
12. One of the important benefits of a well-conceived and well-stated strategic vision is to
- A. clearly delineate how the company's business model will be implemented and executed.
  - B. clearly communicate management's aspirations for the company to stakeholders and help steer the energies of company personnel in a common direction.
  - C. set forth the firm's strategic objectives in clear and fairly precise terms.
  - D. help create a "balanced scorecard" approach to objective-setting and not stretch the company's resources too thin across different products, technologies, and geographic markets.
  - E. indicate what kind of sustainable competitive advantage the company will try to create in the course of becoming the industry leader.
13. The defining characteristic of a well-conceived strategic vision is
- A. what it says about the company's future strategic course—"the direction we are headed and what our future product-market-customer-technology focus will be."
  - B. that it not stretch the company's resources too thin across different products, technologies, and geographic markets.
  - C. clarity and specificity about "who we are, what we do, and why we are here."
  - D. that it be flexible and in the mainstream.
  - E. that it be within the realm of what the company can reasonably expect to achieve within 4 years.

14. Which one of the following questions is *not* pertinent to company managers in thinking strategically about their company's directional path and developing a strategic vision?

- A. Is the outlook for the company promising if it continues with its present product-market-technology-customer focus?
- B. Are changing market and competitive conditions acting to enhance or weaken the company's prospects?
- C. What business approaches and operating practices should we consider in trying to implement and execute our business model?
- D. What are our ambitions for the company—what industry standing do we want the company to have?
- E. What, if any, new customer groups and/or geographic markets should the company get in position to serve?

15. Which one of the following questions is *not* something that company managers should consider in choosing to pursue one strategic course or directional path versus another?

- A. Are changing market and competitive conditions acting to enhance or weaken the company's business outlook?
- B. Is the company stretching its resources too thinly by trying to compete in too many markets or segments, some of which are unprofitable?
- C. Will our present business generate sufficient growth and profitability in the years ahead to please shareholders?
- D. What emerging market opportunities should the company pursue and which ones should not be pursued?
- E. Do we have a better business model than key rivals?

16. Which of the following are characteristics of an effectively-worded strategic vision statement?

- A. Balanced, responsible, and rational
- B. Challenging, competitive, and "set in concrete"
- C. Graphic, directional, and focused
- D. Realistic, customer-focused, and market-driven
- E. Achievable, profitable, and ethical

17. Which one of the following is not a characteristic of an effectively-worded strategic vision statement?

- A. Directional (is forward-looking, describes the strategic course that management has charted and the kinds of product-market-customer-technology changes that will help the company prepare for the future)
- B. Easy to communicate (is explainable in 10-15 minutes, can be reduced to a memorable slogan)
- C. Graphic (paints a picture of the kind of company management is trying to create and the market position(s) the company is striving to stake out)
- D. Consensus-driven (commits the company to a "mainstream" directional path that almost all stakeholders will enthusiastically support)
- E. Focused (is specific enough to provide guidance to managers in making decisions and allocating resources)

18. Which of the following is not a common shortcoming of company vision statements?

- A. Vague or incomplete—short on specifics
- B. Too narrow—doesn't leave enough room for future growth
- C. Bland or uninspiring
- D. Not distinctive—could apply to most any company (or at least several others in the same industry)
- E. Too reliant on superlatives (best, most successful, recognized leader, global or worldwide leader, first choice of customers)

19. Which of the following are common shortcomings of company vision statements?

- A. Too specific, too inflexible, and can't be achieved in 5 years
- B. Unrealistic, unconventional, and un-businesslike
- C. Too broad, vague or incomplete, bland/uninspiring, not distinctive, and too reliant on superlatives
- D. Too broad, too narrow, and too risky
- E. Not customer-driven, out-of-step with emerging technological trends, and too ambitious

20. Breaking down resistance to a new strategic vision typically requires that top management

- A. institute a balanced scorecard approach to measuring company performance, with the "balance" including a mixture of both old and new performance measures.
- B. keep company personnel well-informed about forthcoming changes in the company's strategy.
- C. frequently reiterate the basis for the new direction at company gatherings, address employee concerns and fears head-on, and provide updates and progress reports as events unfold.
- D. move promptly to update the company's business model and hold meetings with company personnel to explain the merits of the new business model.
- E. raise wages and salaries to win the support of company personnel for the company's new direction.

21. Top management efforts to communicate the strategic vision to company personnel

- A. ought to be done in writing rather than orally so as to leave no room for company personnel to misinterpret what the strategic vision really is.
- B. should be done in language that inspires and motivates company personnel to unite behind executive efforts to get the company moving in the intended direction.
- C. tends to be more effective when top management avoids trying to capture the essence of the strategic vision in a catchy slogan.
- D. is most efficiently and effectively done by posting the strategic vision prominently on the company's Web site and encouraging employees to read it.
- E. should be attempted only after management has explained the company's strategic intent, strategy, and business model to company personnel.

22. Effectively communicating the strategic vision down the line to lower-level managers and employees has the value of

- A. inspiring company personnel to unite behind managerial efforts to get the company moving in the intended direction.
- B. helping company personnel understand why "making a profit" is so important.
- C. making it easier for top executives to set stretch objectives.
- D. helping lower-level managers and employees better understand the company's business model.
- E. All of these.



23. Perhaps the most important benefit of a vivid, engaging, and convincing strategic vision is

- A. helping gain managerial consensus on what resources must be developed to successfully achieve strategic objectives.
- B. uniting company personnel behind managerial efforts to get the company moving in the intended direction.
- C. helping justify the company's mission of making a profit.
- D. helping company personnel understand the logic of the company's business model.
- E. keeping company personnel well-informed.

24. The task of effectively communicating the strategic vision is made easier by

- A. having a simple strategy that is easy for company personnel to understand.
- B. combining the strategic vision and the company's values statement into a single document.
- C. capturing the essence of the vision in a catchy slogan or brief phrase and then using it repeatedly as a reminder of "where we are going and why."
- D. waiting until the company achieves its mission to tell company personnel about the strategic vision.
- E. combining the strategic vision and the mission statement into a single statement of overall business purpose.

25. The payoffs of a clear vision statement do *not* include

- A. reducing the risks of rudderless decision-making.
- B. helping the organization prepare for the future.
- C. greater ability to avoid strategic inflection points.
- D. helping to crystallize top management's own view about the firm's long-term direction.
- E. providing a tool for winning the support of organizational members for internal changes that will help make the vision a reality.

26. Which of the following is the result of a well-conceived and communicated strategic vision?

- A. Senior executives solidify their own view of the firm's long term direction.
- B. The risk of rudderless decision-making is minimized.
- C. Organizational members support the changes internally that will help make the vision a reality.
- D. Assists the organization prepare for the future.
- E. All of these.

27. A company's mission statement typically addresses which of the following questions?

- A. "Who are we and what do we do?"
- B. "What objectives and level of performance do we want to achieve?"
- C. "Where are we going and what should our strategy be?"
- D. "What approach should we take to achieve sustainable competitive advantage?"
- E. "What business model should we employ to achieve our objectives and our vision?"

28. The difference between the concept of a company mission statement and the concept of a strategic vision is that

- A. a mission concerns what to do to achieve short-run objectives and a strategic vision concerns what to do to achieve long-run performance targets.
- B. the mission is to make a profit, whereas a strategic vision concerns what business model to employ in striving to make a profit.
- C. a mission statement deals with what to accomplish on behalf of shareholders and a strategic vision concerns what to accomplish on behalf of customers.
- D. a mission statement typically concerns a company's present business scope ("who we are and what we do") whereas the principal concern of a strategic vision is the company's long term direction and future product-market-customer-technology focus.
- E. a mission statement deals with "where we are headed " whereas a strategic vision provides the critical answer to "how will we get there?"

29. The difference between a company's mission statement and the concept of a strategic vision is that

- A. the mission explains why it is essential to make a profit, whereas the strategic vision explains how the company will be a moneymaker.
- B. a mission statement typically concerns a company's present business scope and purpose whereas a strategic vision sets forth "where we are going and why."
- C. a mission deals with how to please customers whereas a strategic vision deals with how to please shareholders.
- D. a mission statement deals with "where we are headed " whereas a strategic vision provides the critical answer to "how will we get there?"
- E. a mission statement addresses "how we are trying to make a profit today" while a strategic vision concerns "how will we make money in the markets of tomorrow?"

30. A company's mission statement should be sufficiently descriptive and includes which of the following?

- A. Identify the company's services and products to give the company its own identity.
- B. Relate to the buyer's needs that the company seeks to satisfy.
- C. Identify the customer or market that the company intends to serve.
- D. Specify the approach taken by the company to satisfy its customer's needs.
- E. All of these.

31. A company's values concern

- A. whether and to what extent it intends to operate in an ethical and socially responsible manner.
- B. how aggressively it will seek to maximize profits and enforce high ethical standards.
- C. the beliefs and operating principles built into the company's "balanced scorecard" for measuring performance.
- D. the beliefs, traits, and behavioral norms that company personnel are expected to display in conducting the company's business and pursuing its strategic vision and mission.
- E. the beliefs, principles, and ethical standards that are incorporated into the company's strategic intent and business model.

32. A company's values relate to such things as

- A. how it will balance its pursuit of financial objectives against the pursuit of its strategic objectives.
- B. how it will balance the pursuit of its business purpose/mission against the pursuit of its strategic vision.
- C. fair treatment, integrity, ethical behavior, innovativeness, teamwork, top-notch quality, superior customer service, social responsibility, and community citizenship.
- D. whether it will emphasize stock price appreciation or higher dividend payments to shareholders, and whether it will put more emphasis on the achievement of short-term performance targets or long-range performance targets.
- E. All of these.

33. Company managers connect values to the chosen strategic vision by
- A. combining the company's values and mission/business purpose into a single statement.
  - B. using a values-based balanced scorecard to measure the company's progress in achieving the vision.
  - C. making achievement of the values a prominent part of the company's strategic objectives.
  - D. making it clear that company personnel are expected to live up to the values in conducting the company's business and pursuing its strategic vision.
  - E. making adherence to the company's values the centerpiece of the company's strategy.

### **Stage 2: Setting Objectives**

34. The managerial purpose of setting objectives includes
- A. converting the strategic vision into specific performance targets—results and outcomes the organization wants to achieve.
  - B. using the objectives as yardsticks for tracking the company's progress and performance.
  - C. challenging and helping stretch the organization to perform at its full potential and deliver the best possible results.
  - D. pushing company personnel to be more inventive and to exhibit more urgency in improving the company's financial performance and business position.
  - E. All of these.

35. A company needs financial objectives
- A. to spur company personnel to help the company overtake key competitors on such important measures as net profit margins and return on investment.
  - B. because adequate profitability and financial strength is critical to effective pursuit of its strategic vision, as well as to its long-term health and ultimate survival.
  - C. to indicate to employees whether the emphasis should be on earnings per share or return on investment or return on assets or positive cash flow.
  - D. to convince shareholders that top management is acting in their interests.
  - E. to counterbalance its pursuit of strategic objectives and have a balanced scorecard for judging the caliber of its overall performance.

36. Which of the following is the best example of a well-stated financial objective?

- A. Increase earnings per share by 15% annually.
- B. Gradually boost market share from 10% to 15% over the next several years.
- C. Achieve lower costs than any other industry competitor.
- D. Boost revenues by a percentage greater than the industry average.
- E. Maximize total company profits and return on investment.

37. Which of the following is the best example of a well-stated strategic objective?

- A. Increase revenues by more than the industry average.
- B. Be among the top 5 five companies in the industry on customer service.
- C. Overtake key competitors on product quality within three years.
- D. Improve manufacturing performance by 5% within 12 months.
- E. Obtain 150 new customers during the current fiscal year.

38. Strategic objectives

- A. are more essential in achieving a company's strategic vision than are financial objectives.
- B. relate to strengthening a company's overall business and competitive position.
- C. are more difficult to achieve and harder to measure than financial objectives.
- D. are generally less important than financial objectives.
- E. help managers track an organization's true progress better than financial objectives.

39. A balanced scorecard for measuring company performance

- A. entails putting *equal* emphasis on financial and strategic objectives.
- B. entails putting *balanced* emphasis on profit and non-profit objectives.
- C. prevents the drive for achieving financial objectives from overwhelming the pursuit of strategic objectives.
- D. prevents the drive for achieving strategic objectives from overwhelming the pursuit of financial objectives.
- E. entails creating a set of objectives that is "balanced" in the sense of including *both* financial and strategic objectives.

40. A "balanced scorecard" that includes both strategic and financial performance targets is a conceptually strong approach for judging a company's overall performance because

- A. it assists managers in putting roughly equal emphasis on short-term and long-term performance targets.
- B. it entails putting *equal* emphasis on good strategy execution and good business model execution.
- C. a balanced scorecard approach pushes managers to avoid setting objectives that reflect the results of past decisions and organizational activities.
- D. financial performance measures are lagging indicators that reflect the results of past decisions and organizational activities whereas strategic performance measures are leading indicators of a company's future financial performance.
- E. it forces managers to put *equal* emphasis on financial and strategic objectives.

41. Perhaps the most reliable way for a company to improve its financial performance over time is to

- A. put 100% emphasis on the achievement of its short-term and long-term financial objectives.
- B. recognize that the achievement of strategic objectives fosters better long-term financial performance.
- C. substitute financial intent for strategic intent and judiciously concentrate on the mission of making a profit.
- D. not allocate any resources to the achievement of strategic objectives until it is very clear that the company can meet or beat its stretch financial performance targets.
- E. avoid use of the "balanced scorecard" philosophy since achievement of financial performance targets is obviously more important than achievement of strategic performance targets.

42. A company that pursues and achieves strategic objectives

- A. is likely to weaken the achievement of its short-term and long-term financial objectives.
- B. believes that the company's financial performance is not as important as it really is.
- C. is generally not strongly focused on its true mission of making a profit.
- D. is frequently in a better position to improve its future financial performance because of the increased competitiveness that flows from the achievement of strategic objectives.
- E. is likely to be a weak financial performer because diverting resources to the pursuit of strategic objectives takes away from the achievement of financial performance targets.

43. A company exhibits strategic intent when
- A. it adopts a strategic plan.
  - B. it relentlessly pursues an ambitious strategic objective, concentrating the full force of its resources and competitive actions on achieving that objective.
  - C. senior executives pursue their strategic vision.
  - D. top management establishes a comprehensive set of strategic objectives.
  - E. it pursues a particular competitive advantage.
44. A set of "stretch" financial and strategic objectives
- A. pushes the company closer to true profit maximization.
  - B. helps create a "balanced scorecard" for judging company performance.
  - C. helps convert the mission statement into meaningful company values.
  - D. challenges company personnel to execute the strategy with greater proficiency.
  - E. is an effective tool for avoiding ho-hum results.
45. Which one of the following is *not* an advantage of setting "stretch" objectives?
- A. Helping to avoid ho-hum results
  - B. Pushing company personnel to be more inventive and innovative
  - C. Helping clarify the company's strategic vision and strategic intent
  - D. Helping a company be more focused and intentional in its actions
  - E. Spurring exceptional performance and helping build a firewall against contentment with modest performance gains
46. Why should long-run objectives take precedence over short-run objectives?
- A. Focus is placed on improving performance in the near-term.
  - B. Long-run objectives are necessary for achieving long-term performance and block focus on short-term results and put the company in a position to perform better later.
  - C. To satisfy shareholder expectations for progress.
  - D. Forces the company to consider what to do now to perform better later.
  - E. None of these.

47. A company needs performance targets or objectives

- A. to help guide managers in deciding what strategic path to take in the event that a strategic inflection point is encountered.
- B. because they give the company clear-cut strategic intent.
- C. in order to unify the company's strategic vision and business model.
- D. for its operations as a whole and also for each of its separate businesses, product lines, functional departments, and individual work units.
- E. in order to prevent lower-level organizational units from establishing their own objectives.

48. Company objectives

- A. are needed only in those areas directly related to a company's short-term and long-term profitability.
- B. need to be broken down into performance targets for each of its separate businesses, product lines, functional departments, and individual work units.
- C. play the important role of establishing the direction in which it needs to be headed.
- D. are important because they help guide managers in deciding what the company's strategic intent should be.
- E. should be set in a manner that does not conflict with the performance targets of lower-level organizational units.

### **Stage 3: Crafting a Strategy**

49. The task of stitching together a strategy

- A. entails addressing a series of *hows*: how to grow the business, how to please customers, how to outcompete rivals, how to respond to changing market conditions, and how to achieve strategic and financial objectives.
- B. is primarily an exercise in deciding which of several freshly-emerging market opportunities to pursue.
- C. is mainly an exercise that should be dictated by what is comfortable to management from a risk perspective and what is acceptable in terms of capital requirements.
- D. requires trying to copy the strategies of industry leaders as closely as possible.
- E. is mainly an exercise in good planning.



50. Masterful strategies come from

- A. successful managerial efforts to develop a sound strategic vision.
- B. doing a very thorough job of strategic planning.
- C. involving as many company personnel as possible in the strategy-making process.
- D. crafting a strategy that mimics the best parts of the strategies of the industry leaders.
- E. doing things differently from competitors where it counts—out-innovating them, being more efficient, adapting faster—rather than running with the herd.

51. Strategy-making is

- A. primarily the responsibility of key executives rather than a task for a company's entire management team.
- B. more of a collaborative group effort that involves all managers and sometimes key employees, as opposed to being the function and responsibility of a few high-level executives.
- C. first and foremost the function and responsibility of a company's strategic planning staff.
- D. first and foremost the function and responsibility of a company's board of directors.
- E. first and foremost the function of a company's chief executive officer—who formulates strategic initiatives and submits them to the board of directors for approval.

52. Which of the following is *not* an accurate description of the task of crafting a company's strategy?

- A. In most companies, crafting strategy is a team effort, involving managers and often key employees at many organization levels.
- B. Ultimate responsibility for leading the strategy-making task rests with the chief executive officer.
- C. The task of crafting strategy is best done by a company's chief strategic planning officer, who should report directly to the company's CEO and board of directors.
- D. It is the responsibility and duty of a company's board of directors to ensure that new strategy proposals can be defended as superior to alternatives and, ultimately, to approve or disapprove of the strategy formulated and proposed by the company's management.
- E. In most of today's companies, every company manager has a strategy-making role, ranging from major to minor, for his/her area of responsibility.

53. Managerial jobs with strategy-making responsibility

- A. extend throughout the managerial ranks and exist in every part of a company—business units, operating divisions, functional departments, manufacturing plants, and sales districts.
- B. are primarily located in the strategic planning departments of large corporations.
- C. are relatively rare because most strategy-making is done by the members of a company's board of directors.
- D. seldom exist within a functional department (e.g., marketing and sales) or in an operating unit (a plant or a district office) because these levels of the organization structure are well below the level where strategic decisions are typically made.
- E. are found only at the vice-president level and above in most companies.

54. Which of the following most accurately describes the task of crafting a company's strategy?

- A. In most companies, strategy-making is the exclusive province of top management—owner-entrepreneurs, CEOs, and other very senior executives.
- B. The more a company's operations cut across different products, industries, and geographical areas, the more that headquarters executives have little option but to delegate considerable strategy-making authority to down-the-line managers in charge of particular subsidiaries, product lines, geographic sales offices, and plants.
- C. A company's board of directors generally takes the lead role in crafting a company's strategy.
- D. In most of today's companies, the lead strategy-making role is being assumed by an elite group of corporate entrepreneurs.
- E. Masterful strategies are nearly always the product of brilliant corporate entrepreneurs.

55. A company's overall strategy

- A. determines whether its strategic intent is proactive or reactive.
- B. is subject to being changed much less frequently than either its objectives or its mission statement and thus serves as the base of its strategy-making pyramid.
- C. should be based on a flexible strategic vision and strategic intent.
- D. is customarily reviewed and approved level-by-level by the company board of directors.
- E. is really a collection of strategic initiatives and actions devised by managers and key employees up and down the whole organizational hierarchy.

56. In a diversified company, the strategy-making hierarchy consists of
- A. corporate strategy and a group of business strategies (one for each line of business the corporation has diversified into).
  - B. corporate or managerial strategy, a set of business strategies, and divisional strategies within each business.
  - C. business strategies, functional strategies, and operating strategies.
  - D. corporate strategy, business strategies, functional strategies, and operating strategies.
  - E. its diversification strategy, its line of business strategies, and its operating strategies.

57. Corporate strategy for a diversified or multi-business enterprise
- A. is orchestrated by senior corporate executives and focuses on how to create a competitive advantage in each specific line-of-business the total enterprise is in.
  - B. concerns how best to allocate resources across the departments of each line of business the company is in.
  - C. is orchestrated by senior corporate executives and centers around the kinds of initiatives the company uses to establish business positions in different industries and efforts to boost the combined performance of the businesses the company has diversified into.
  - D. deals chiefly with what the strategic intent of each of its business units should be.
  - E. involves how functional strategies should be aligned with business strategies in each of the various lines of business the company is in.

58. Business strategy concerns
- A. the actions and approaches crafted by management to produce successful performance in one specific line of business.
  - B. what set of businesses to be in and why.
  - C. selecting a business model to use in pursuing business objectives.
  - D. selecting a set of stretch financial and strategic objectives for a particular line of business.
  - E. choosing the most appropriate strategic intent for a specific line of business.

59. Business strategy, as distinct from corporate strategy, is chiefly concerned with
- A. deciding what new businesses to enter, which existing businesses to get off, and which existing business to remain in.
  - B. forging actions and approaches to compete successfully in a particular line of business.
  - C. making sure the strategic intent of a particular business is in step with the company's overall strategic intent and strategy.
  - D. coordinating the competitive approaches of a company's different business units.
  - E. what business model to employ in each of the company's different businesses.

60. Functional-area strategies

- A. concern the actions, approaches, and practices to be employed in managing particular functions or business processes or key activities within a business.
- B. specify what actions a company should take to resolve specific strategic issues and problems.
- C. are normally crafted by operating-level managers.
- D. are concerned with how to unify the firm's several different operating strategies into a cohesive whole.
- E. are normally crafted by the company's CEO and other senior executives.

61. The primary role of a functional strategy is to

- A. unify the company's various operating-level strategies.
- B. specify how to build and strengthen the skills, expertise, and competencies needed to execute operating-level strategies successfully.
- C. support and add power to the corporate-level strategy.
- D. create compatible degrees of strategic intent among a company's different business functions.
- E. support the overall business strategy and competitive approach.

62. Operating strategies concern

- A. what the firm's operating departments are doing and plan to do to unify the company's functional and business strategies.
- B. the specific plans for building competitive advantage in each major department and operating unit.
- C. the relatively narrow strategic initiatives for managing key operating units within a business (plants, distribution centers, geographic units) and for performing strategically significant operating tasks (maintenance, shipping, inventory control, purchasing, advertising) in ways that support functional strategies and the overall business strategy.
- D. how best to carry out the company's corporate strategy.
- E. how best to implement and execute the company's different business-level strategies.

63. In a single-business company, the strategy-making hierarchy consists of

- A. business strategy, divisional strategies, and departmental strategies.
- B. business strategy, functional strategies, and operating strategies.
- C. business strategy and operating strategy.
- D. managerial strategy, business strategy, and divisional strategies.
- E. corporate strategy, divisional strategies, and departmental strategies.

64. A company's strategic plan consists of

- A. its objectives and its strategy for achieving them.
- B. a vision of where it is headed, a set of performance targets, and a strategy to achieve them.
- C. its strategy and management's specific, detailed plans for implementing it.
- D. a company's strategic vision, strategic objectives, strategic intent, and strategy.
- E. a strategic vision, a strategy, and a business model.

65. Strategic intent refers to a situation where a company

- A. commits to using a particular business model to make money.
- B. decides to adopt a particular strategy.
- C. relentlessly pursues an ambitious strategic objective, concentrating the full force of its resources and competitive actions on achieving that objective.
- D. commits to pursuing stretch strategic objectives.
- E. changes its long-term direction and decides to pursue a newly-adopted strategic vision.

66. A company with strategic intent

- A. is one that is going all-out to overcome the challenges of having encountered a strategic inflection point.
- B. is one that is putting much more emphasis on achieving its strategic objectives than its financial objectives.
- C. is one that has good alignment between its strategic objectives and its strategy.
- D. usually has an aggressive strategy and plan for growing its business.
- E. usually has an exceptionally bold and grandiose long-term objective—like becoming the dominant global market leader—and an unshakable commitment to concentrating its full resources and strategy on achieving that objective.

#### **Stage 4: Executing the Strategy**

67. Which of the following is *not* among the principal managerial tasks associated with managing the strategy execution process?

- A. Ensuring that policies and procedures facilitate rather than impede effective execution
- B. Creating a company culture and work climate conducive to successful strategy implementation and execution
- C. Surveying employees on how they think costs can be reduced and how employee morale and job satisfaction can be improved
- D. Exerting the internal leadership needed to drive implementation forward and keep improving on how the strategy is being executed
- E. Tying rewards and incentives directly to the achievement of performance objectives and good strategy execution

### **Stage 5: Evaluating Performance and Initiating Corrective Adjustments**

68. Management is obligated to monitor new external developments, evaluate the company's progress, and make corrective adjustments in order to

- A. determine whether the company has a balanced scorecard for judging its performance.
- B. stay on track in achieving the company's mission and strategic vision.
- C. keep the company's board of directors well-informed about the company's future outlook.
- D. determine whether the company's business model is well matched to changing market and competitive circumstances.
- E. decide whether to continue or change the company's strategic vision, objectives, strategy and/or strategy execution methods.

69. The leadership challenges that top executives face in making corrective adjustments when things are not going well include

- A. knowing when to replace poorly performing subordinates and when to do a better job of coaching them to do the right things.
- B. being able to discern whether to promote better achievement of strategic performance targets or whether to promote better achievement of financial performance targets.
- C. deciding when adjustments are needed and what adjustments to make.
- D. having the analytical skills to separate the problems due to a bad strategy from the problems due to bad strategy execution.
- E. deciding whether the company would be better off making adjustments that curtail the achievement of strategic objectives or that curtail the achievement of financial objectives.

70. The task of top executives in making corrective adjustments includes

- A. knowing when to continue with the present corporate culture and when to shift to a different and better corporate culture.
- B. deciding when adjustments are needed and what adjustments to make.
- C. being good at figuring out whether to arrive at decisions quickly or slowly in choosing among the various alternative adjustments.
- D. deciding whether to try to fix the problems of poor strategy execution or simply shift to a strategy that is easier to execute correctly.
- E. deciding how to identify the problems that need fixing.

### **Corporate Governance: The Role of the Board of Directors in the Strategy-Crafting, Strategy-Executing Process**

71. The primary roles/obligations of a company's board of directors in the strategy-making, strategy-executing process include

- A. playing the lead role in forming the company's strategy and then directly supervising the efforts and actions of senior executives in implementing and executing the strategy.
- B. providing guidance and counsel to the CEO in carrying out his/her duties as chief strategist and chief strategy implementer.
- C. overseeing the company's direction, strategy and business approaches and evaluating the caliber of senior executives' strategy-making and strategy-executing skills.
- D. working closely with the CEO, senior executives, and the strategic planning staff to develop a strategic plan for the company and then overseeing how well the CEO and senior executives carry out the board's directives in implementing and executing the strategic plan.
- E. reviewing and approving the company's business model and also reviewing and approving the proposals and recommendations of the CEO as to how to execute the business model.

72. The obligations of an investor-owned company's board of directors in the strategy-making, strategy-executing process include

- A. coming up with compelling strategy proposals of their own to debate against those put forward by top management.
- B. overseeing the company's financial accounting and financial reporting practices and evaluating the caliber of senior executives' strategy-making/strategy-executing skills.
- C. taking the lead in developing the company's business model and strategic vision.
- D. taking the lead in formulating the company's strategic plan but then delegating the task of implementing and executing the strategic plan to the company's CEO and other senior executives.
- E. approving the company's operating strategies, functional-area strategies, business strategy, and overall corporate strategy.



73. Which one of the following is *not* among the chief duties/responsibilities of a company's board of directors insofar as the strategy-making, strategy-executing process is concerned?
- A. Hiring and firing senior-level executives and working with the company's chief strategic planning officer to improve the company's strategy when performance comes up short of expectations
  - B. Being inquiring critics and exercising strong oversight over the company's direction, strategy, and business approaches
  - C. Evaluating the caliber of senior executives' strategy-making/strategy-executing skills
  - D. Instituting a compensation plan for top executives that rewards them for actions and results that serve stakeholders' interests, most especially those of shareholders
  - E. Overseeing the company's financial accounting and financial reporting practices

**Short Answer Questions**

74. What are the five phases of the strategy-making, strategy-executing process and what does each one involve?

75. A well-conceived strategic vision helps prepare a company for the future. True or false? Explain and justify your answer.

76. Explain why an organization needs a strategic vision. What purpose does a strategic vision serve?

77. What is the managerial value of a good strategic vision?

78. What is the difference between a mission statement and a strategic vision?

79. Which is more important—a company's mission statement or its strategic vision? Explain.

80. Define and briefly explain what is meant by each of the following terms:

- a) strategic vision
- b) stretch objectives
- c) strategic objective
- d) balanced scorecard
- e) strategic intent
- f) strategic plan

81. Identify the key characteristics of a well-stated organizational objective.

82. What is meant by the term "stretch objectives?" Is it important that companies establish stretch objectives? Why or why not?

83. Why does an organization need both financial and strategic objectives?

84. Explain the difference between financial objectives and strategic objectives. Give examples of each.

85. What are the qualities of a "well-stated" objective? Give an example of a well-stated financial objective and a well-stated strategic objective.

86. The achievement of financial objectives tends to be a lagging indicator of a company's performance while the achievement of strategic objectives tends to be a leading indicator of a company's future financial performance. True or false? Support and explain your answer.

87. What is the meaning of the term "balanced scorecard?" What are the merits of using a balanced scorecard in judging a company's performance?

88. Which is more important to a company's future financial performance: the achievement of strategic objectives or the achievement of financial objectives? Why?

89. What is the strategy-making hierarchy for a diversified company? How does it differ from the strategy-making hierarchy for a single business company?

90. A company's strategy is really a collection of levels of strategies. True or false? Discuss and explain.

91. Discuss the meaning of each of the following levels of strategy and indicate what level of management tends to take lead responsibility for crafting the strategy at each of the four levels:

- a) corporate strategy
- b) business strategy
- c) functional area strategy
- d) operating strategy

92. An organization's strategic plan consists of the actions which management plans to take in the near future. True or false? Explain and justify your answer.

93. Explain why a company's strategy is really a collection of strategies.

94. Identify four actions that are key elements of leading the strategy execution process.

95. Who is responsible for actually performing the five phases of the strategy-making, strategy-executing process?

96. What is the role and responsibility of a company's CEO in the strategy-making, strategy-executing process?

97. The task of crafting a company's strategy is typically a job for the company's whole management team, not just a small group of senior executives. True or false? Explain and support your answer.

98. Identify four actions that top executives can take to help instill a spirit of high achievement into the corporate culture and mobilize organizational energy behind the drive for good strategy execution and operating excellence.

99. What are the roles/obligations of a company's board of directors in the strategy-making, strategy-executing process?



100. Identify and briefly discuss at least three obligations of a company's board of directors in corporate governance and the strategy-making, strategy-executing process.

## Chapter 02 Charting a Company's Direction: Vision and Mission, Objectives, and Strategy **Answer Key**

### Multiple Choice Questions

#### What Does the Strategy-Making, Strategy-Executing Process Entail?

1. (p. 21-22) Which one of the following is not one of the five basic tasks of the strategy-making, strategy-executing process?
- A. Forming a strategic vision of where the company needs to head and what its future business make-up will be
  - B. Setting objectives to convert the strategic vision into specific strategic and financial performance outcomes for the company to achieve
  - C. Crafting a strategy to achieve the objectives and get the company where it wants to go
  - D.** Developing a profitable business model
  - E. Implementing and executing the chosen strategy efficiently and effectively

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Easy*

*Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.*

*Topic: Strategy Process*

2. (p. 23) Which of the following is an integral part of the managerial process of crafting and executing strategy?

- A. Developing a proven business model
- B. Deciding how much of the company's resources to employ in the pursuit of sustainable competitive advantage
- C. Setting objectives and using them as yardsticks for measuring the company's performance and progress**
- D. Communicating the company's values and code of conduct to all employees
- E. Deciding on the company's strategic intent

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Medium*

*Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.*

*Topic: Strategy Process*

3. (p. 21-22) Which of the following are integral parts of the managerial process of crafting and executing strategy?

- A. Developing a strategic vision, setting objectives, and crafting a strategy**
- B. Developing a proven business model, deciding on the company's strategic intent, and crafting a strategy
- C. Setting objectives, crafting a strategy, implementing and executing the chosen strategy, and deciding how much of the company's resources to employ in the pursuit of sustainable competitive advantage
- D. Coming up with a statement of the company's mission and purpose, setting objectives, choosing what business approaches to employ, selecting a business model, and monitoring developments
- E. Deciding on the company's strategic intent, setting financial objectives, crafting a strategy, and choosing what business approaches and operating practices to employ

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Medium*

*Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.*

*Topic: Strategy Process*

4. (p. 21-22) The strategy-making, strategy-executing process

A. is usually delegated to members of a company's board of directors so as not to infringe on the time of busy executives.

B. includes establishing a company's mission, developing a business model aimed at making the company an industry leader, and crafting a strategy to implement and execute the business model.

**C.** embraces the tasks of developing a strategic vision, setting objectives, crafting a strategy, implementing and executing the strategy, and then monitoring developments and initiating corrective adjustments in light of experience, changing conditions, and new opportunities.

D. is principally concerned with sizing up an organization's internal and external situation, so as to be prepared for the challenge of developing a sound business model.

E. is primarily the responsibility of top executives and the board of directors; very few managers below this level are involved.

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Easy*

*Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.*

*Topic: Strategy Process*

### **Stage 1: Developing a Strategic Vision, a Mission, and a Set of Core Values**

5. (p. 22) A company's strategic vision concerns

A. "who we are and what we do."

B. why the company does certain things in trying to please its customers.

C. management's storyline of how it intends to make a profit with the chosen strategy.

**D.** a company's directional path and future product-market-customer-technology focus.

E. what future actions the enterprise will likely undertake to outmaneuver rivals and achieve a sustainable competitive advantage.

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Easy*

*Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.*

*Topic: Strategic Vision*

6. (p. 22) A company's strategic vision

A. is management's story line for how it plans to implement and execute a profitable business model.

B. sets forth what business the company is presently in and why it uses particular operating practices in trying to please customers.

**C.** delineates management's aspirations for the business, providing a panoramic view of "where we are going" and a convincing rationale for why this makes good business sense.

D. defines "who we are and what we do."

E. spells out a company's strategic intent, its strategic and financial objectives, and the business approaches and operating practices that will underpin its efforts to achieve sustainable competitive advantage.

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Easy*

*Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.*

*Topic: Strategic Vision*

7. (p. 22) Developing a strategic vision for a company entails

**A.** prescribing a strategic direction for the company to pursue and a rationale for why this strategic path makes good business sense.

B. describing its business model and the kind of value that it is trying to deliver to customers.

C. putting together a story line of why the business will be a moneymaker.

D. describing "who we are and what we do."

E. coming up with a long-term plan for outcompeting rivals and achieving a competitive advantage.

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Easy*

*Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.*

*Topic: Strategic Vision*

8. (p. 23) The managerial task of developing a strategic vision for a company
- A. concerns deciding what approach the company should take to implement and execute its business model.
  - B. entails coming up with a fairly specific answer to "who are we, what do we do, and why are we here?"
  - C. is chiefly concerned with addressing what a company needs to do to successfully outcompete rivals in the marketplace.
  - D.** involves deciding upon what strategic course a company should pursue in preparing for the future and why this directional path makes good business sense.
  - E. entails coming up with a persuasive storyline of how the company intends to make money.

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Medium*

*Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.*

*Topic: Strategic Vision*

9. (p. 22-23) Which one of the following is not an accurate attribute of an organization's strategic vision?
- A. Providing a panoramic view of "where we are going"
  - B.** Outlining how the company intends to implement and execute its business model
  - C. Pointing an organization in a particular direction and charting a strategic path for it to follow
  - D. Helping mold an organization's character and identity
  - E. Describing the company's future product-market-customer-technology focus

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Medium*

*Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.*

*Topic: Strategic Vision*

10. (p. 22) Management's strategic vision for an organization

**A.** charts a strategic course for the organization ("where we are going") and provides a rationale for why this directional path makes good sense.

B. describes in fairly specific terms the organization's strategic intent, strategic objectives, and strategy.

C. spells out how the company will become a big moneymaker and boost shareholder value.

D. addresses the critical issue of "why our business model needs to change and how we plan to change it."

E. spells out the organization's strategic intent and the actions and moves that will be undertaken to achieve it.

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Easy*

*Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.*

*Topic: Strategic Vision*

11. (p. 23) What a company's top executives are saying about where the company is headed and about what the company's future product-customer-market-technology will be

A. indicates what kind of business model the company is going to have in the future.

**B.** constitutes their strategic vision for the company.

C. signals what the firm's strategy will be.

D. serves to define the company's mission.

E. indicates what the company's long-term strategic plan is.

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Easy*

*Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.*

*Topic: Strategic Vision*

12. (p. 23) One of the important benefits of a well-conceived and well-stated strategic vision is to
- A. clearly delineate how the company's business model will be implemented and executed.
  - B.** clearly communicate management's aspirations for the company to stakeholders and help steer the energies of company personnel in a common direction.
  - C. set forth the firm's strategic objectives in clear and fairly precise terms.
  - D. help create a "balanced scorecard" approach to objective-setting and not stretch the company's resources too thin across different products, technologies, and geographic markets.
  - E. indicate what kind of sustainable competitive advantage the company will try to create in the course of becoming the industry leader.

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Easy*

*Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.*

*Topic: Strategic Vision*

13. (p. 23) The defining characteristic of a well-conceived strategic vision is
- A.** what it says about the company's future strategic course—"the direction we are headed and what our future product-market-customer-technology focus will be."
  - B. that it not stretch the company's resources too thin across different products, technologies, and geographic markets.
  - C. clarity and specificity about "who we are, what we do, and why we are here."
  - D. that it be flexible and in the mainstream.
  - E. that it be within the realm of what the company can reasonably expect to achieve within 4 years.

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Easy*

*Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.*

*Topic: Strategic Vision*



14. (p. 23) Which one of the following questions is *not* pertinent to company managers in thinking strategically about their company's directional path and developing a strategic vision?

- A. Is the outlook for the company promising if it continues with its present product-market-technology-customer focus?
- B. Are changing market and competitive conditions acting to enhance or weaken the company's prospects?
- C.** What business approaches and operating practices should we consider in trying to implement and execute our business model?
- D. What are our ambitions for the company—what industry standing do we want the company to have?
- E. What, if any, new customer groups and/or geographic markets should the company get in position to serve?

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Medium*

*Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.*

*Topic: Strategic Vision*

15. (p. 23) Which one of the following questions is *not* something that company managers should consider in choosing to pursue one strategic course or directional path versus another?

- A. Are changing market and competitive conditions acting to enhance or weaken the company's business outlook?
- B. Is the company stretching its resources too thinly by trying to compete in too many markets or segments, some of which are unprofitable?
- C. Will our present business generate sufficient growth and profitability in the years ahead to please shareholders?
- D. What emerging market opportunities should the company pursue and which ones should not be pursued?
- E.** Do we have a better business model than key rivals?

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Medium*

*Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.*

*Topic: Strategic Vision*

16. (p. 23) Which of the following are characteristics of an effectively-worded strategic vision statement?

- A. Balanced, responsible, and rational
- B. Challenging, competitive, and "set in concrete"
- C. Graphic, directional, and focused**
- D. Realistic, customer-focused, and market-driven
- E. Achievable, profitable, and ethical

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Medium*

*Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.*

*Topic: Strategic Vision*

17. (p. 23) Which one of the following is *not* a characteristic of an effectively-worded strategic vision statement?

- A. Directional (is forward-looking, describes the strategic course that management has charted and the kinds of product-market-customer-technology changes that will help the company prepare for the future)
- B. Easy to communicate (is explainable in 10-15 minutes, can be reduced to a memorable slogan)
- C. Graphic (paints a picture of the kind of company management is trying to create and the market position(s) the company is striving to stake out)
- D. Consensus-driven (commits the company to a "mainstream" directional path that almost all stakeholders will enthusiastically support)**
- E. Focused (is specific enough to provide guidance to managers in making decisions and allocating resources)

*AACSB: Analytic*

*Bloom's: Remember*

*Difficulty: Medium*

*Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.*

*Topic: Strategic Vision*

18. (p. 23) Which of the following is not a common shortcoming of company vision statements?
- A. Vague or incomplete—short on specifics
  - B. Too narrow—doesn't leave enough room for future growth**
  - C. Bland or uninspiring
  - D. Not distinctive—could apply to most any company (or at least several others in the same industry)
  - E. Too reliant on superlatives (best, most successful, recognized leader, global or worldwide leader, first choice of customers)

*AACSB: Analytic*

*Bloom's: Remember*

*Difficulty: Medium*

*Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.*

*Topic: Strategic Vision*

19. (p. 23) Which of the following are common shortcomings of company vision statements?
- A. Too specific, too inflexible, and can't be achieved in 5 years
  - B. Unrealistic, unconventional, and un-businesslike
  - C. Too broad, vague or incomplete, bland/uninspiring, not distinctive, and too reliant on superlatives**
  - D. Too broad, too narrow, and too risky
  - E. Not customer-driven, out-of-step with emerging technological trends, and too ambitious

*AACSB: Analytic*

*Bloom's: Remember*

*Difficulty: Medium*

*Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.*

*Topic: Strategic Vision*

20. (p. 24) Breaking down resistance to a new strategic vision typically requires that top management

A. institute a balanced scorecard approach to measuring company performance, with the "balance" including a mixture of both old and new performance measures.

B. keep company personnel well-informed about forthcoming changes in the company's strategy.

**C.** frequently reiterate the basis for the new direction at company gatherings, address employee concerns and fears head-on, and provide updates and progress reports as events unfold.

D. move promptly to update the company's business model and hold meetings with company personnel to explain the merits of the new business model.

E. raise wages and salaries to win the support of company personnel for the company's new direction.

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Easy*

*Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.*

*Topic: Strategic Vision*

21. (p. 23) Top management efforts to communicate the strategic vision to company personnel

A. ought to be done in writing rather than orally so as to leave no room for company personnel to misinterpret what the strategic vision really is.

**B.** should be done in language that inspires and motivates company personnel to unite behind executive efforts to get the company moving in the intended direction.

C. tends to be more effective when top management avoids trying to capture the essence of the strategic vision in a catchy slogan.

D. is most efficiently and effectively done by posting the strategic vision prominently on the company's Web site and encouraging employees to read it.

E. should be attempted only after management has explained the company's strategic intent, strategy, and business model to company personnel.

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Medium*

*Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.*

*Topic: Strategic Vision*

22. (p. 23) Effectively communicating the strategic vision down the line to lower-level managers and employees has the value of

- A.** inspiring company personnel to unite behind managerial efforts to get the company moving in the intended direction.
- B. helping company personnel understand why "making a profit" is so important.
- C. making it easier for top executives to set stretch objectives.
- D. helping lower-level managers and employees better understand the company's business model.
- E. All of these.

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Easy*

*Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.*

*Topic: Strategic Vision*

23. (p. 23) Perhaps the most important benefit of a vivid, engaging, and convincing strategic vision is

- A. helping gain managerial consensus on what resources must be developed to successfully achieve strategic objectives.
- B.** uniting company personnel behind managerial efforts to get the company moving in the intended direction.
- C. helping justify the company's mission of making a profit.
- D. helping company personnel understand the logic of the company's business model.
- E. keeping company personnel well-informed.

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Medium*

*Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.*

*Topic: Strategic Vision*

24. (p. 26) The task of effectively communicating the strategic vision is made easier by
- A. having a simple strategy that is easy for company personnel to understand.
  - B. combining the strategic vision and the company's values statement into a single document.
  - C.** capturing the essence of the vision in a catchy slogan or brief phrase and then using it repeatedly as a reminder of "where we are going and why."
  - D. waiting until the company achieves its mission to tell company personnel about the strategic vision.
  - E. combining the strategic vision and the mission statement into a single statement of overall business purpose.

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Easy*

*Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.*

*Topic: Strategic Vision*

25. (p. 26) The payoffs of a clear vision statement do not include
- A. reducing the risks of rudderless decision-making.
  - B. helping the organization prepare for the future.
  - C.** greater ability to avoid strategic inflection points.
  - D. helping to crystallize top management's own view about the firm's long-term direction.
  - E. providing a tool for winning the support of organizational members for internal changes that will help make the vision a reality.

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Easy*

*Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.*

*Topic: Strategic Vision*

26. (p. 26) Which of the following is the result of a well-conceived and communicated strategic vision?

- A. Senior executives solidify their own view of the firm's long term direction.
- B. The risk of rudderless decision-making is minimized.
- C. Organizational members support the changes internally that will help make the vision a reality.
- D. Assists the organization prepare for the future.
- E.** All of these.

*AACSB: Analytic*

*Bloom's: Remember*

*Difficulty: Medium*

*Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.*

*Topic: Strategic Vision*

27. (p. 26) A company's mission statement typically addresses which of the following questions?

- A.** "Who are we and what do we do?"
- B. "What objectives and level of performance do we want to achieve?"
- C. "Where are we going and what should our strategy be?"
- D. "What approach should we take to achieve sustainable competitive advantage?"
- E. "What business model should we employ to achieve our objectives and our vision?"

*AACSB: Analytic*

*Bloom's: Remember*

*Difficulty: Easy*

*Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.*

*Topic: Mission Statement*

28. (p. 26) The difference between the concept of a company mission statement and the concept of a strategic vision is that

- A. a mission concerns what to do to achieve short-run objectives and a strategic vision concerns what to do to achieve long-run performance targets.
- B. the mission is to make a profit, whereas a strategic vision concerns what business model to employ in striving to make a profit.
- C. a mission statement deals with what to accomplish on behalf of shareholders and a strategic vision concerns what to accomplish on behalf of customers.
- D.** a mission statement typically concerns a company's present business scope ("who we are and what we do") whereas the principal concern of a strategic vision is the company's long term direction and future product-market-customer-technology focus.
- E. a mission statement deals with "where we are headed " whereas a strategic vision provides the critical answer to "how will we get there?"

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Medium*

*Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.*

*Topic: Mission Statement*

29. (p. 26) The difference between a company's mission statement and the concept of a strategic vision is that

- A. the mission explains why it is essential to make a profit, whereas the strategic vision explains how the company will be a moneymaker.
- B.** a mission statement typically concerns a company's present business scope and purpose whereas a strategic vision sets forth "where we are going and why."
- C. a mission deals with how to please customers whereas a strategic vision deals with how to please shareholders.
- D. a mission statement deals with "where we are headed " whereas a strategic vision provides the critical answer to "how will we get there?"
- E. a mission statement addresses "how we are trying to make a profit today" while a strategic vision concerns "how will we make money in the markets of tomorrow?"

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Easy*

*Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.*

*Topic: Mission Statement*



30. (p. 27) A company's mission statement should be sufficiently descriptive and includes which of the following?

- A. Identify the company's services and products to give the company its own identity.
- B. Relate to the buyer's needs that the company seeks to satisfy.
- C. Identify the customer or market that the company intends to serve.
- D. Specify the approach taken by the company to satisfy its customer's needs.
- E.** All of these.

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Easy*

*Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.*

*Topic: Mission Statement*

31. (p. 27) A company's values concern

- A. whether and to what extent it intends to operate in an ethical and socially responsible manner.
- B. how aggressively it will seek to maximize profits and enforce high ethical standards.
- C. the beliefs and operating principles built into the company's "balanced scorecard" for measuring performance.
- D.** the beliefs, traits, and behavioral norms that company personnel are expected to display in conducting the company's business and pursuing its strategic vision and mission.
- E. the beliefs, principles, and ethical standards that are incorporated into the company's strategic intent and business model.

*AACSB: Analytic*

*Bloom's: Remember*

*Difficulty: Easy*

*Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.*

*Topic: Vision, Mission and Values*

32. (p. 27) A company's values relate to such things as
- A. how it will balance its pursuit of financial objectives against the pursuit of its strategic objectives.
  - B. how it will balance the pursuit of its business purpose/mission against the pursuit of its strategic vision.
  - C.** fair treatment, integrity, ethical behavior, innovativeness, teamwork, top-notch quality, superior customer service, social responsibility, and community citizenship.
  - D. whether it will emphasize stock price appreciation or higher dividend payments to shareholders, and whether it will put more emphasis on the achievement of short-term performance targets or long-range performance targets.
  - E. All of these.

*AACSB: Reflective Thinking*

*Bloom's: Understand*

*Difficulty: Easy*

*Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.*

*Topic: Vision, Mission and Values*

33. (p. 28) Company managers connect values to the chosen strategic vision by
- A. combining the company's values and mission/business purpose into a single statement.
  - B. using a values-based balanced scorecard to measure the company's progress in achieving the vision.
  - C. making achievement of the values a prominent part of the company's strategic objectives.
  - D.** making it clear that company personnel are expected to live up to the values in conducting the company's business and pursuing its strategic vision.
  - E. making adherence to the company's values the centerpiece of the company's strategy.

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Medium*

*Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.*

*Topic: Vision, Mission and Values*

## Stage 2: Setting Objectives

34. (p. 28) The managerial purpose of setting objectives includes
- A. converting the strategic vision into specific performance targets—results and outcomes the organization wants to achieve.
  - B. using the objectives as yardsticks for tracking the company's progress and performance.
  - C. challenging and helping stretch the organization to perform at its full potential and deliver the best possible results.
  - D. pushing company personnel to be more inventive and to exhibit more urgency in improving the company's financial performance and business position.
  - E.** All of these.

*AACSB: Analytic*

*Bloom's: Remember*

*Difficulty: Easy*

*Learning Objective: 02-02 Understand the importance of setting both strategic and financial objectives.*

*Topic: Objectives*

35. (p. 30) A company needs financial objectives
- A. to spur company personnel to help the company overtake key competitors on such important measures as net profit margins and return on investment.
  - B.** because adequate profitability and financial strength is critical to effective pursuit of its strategic vision, as well as to its long-term health and ultimate survival.
  - C. to indicate to employees whether the emphasis should be on earnings per share or return on investment or return on assets or positive cash flow.
  - D. to convince shareholders that top management is acting in their interests.
  - E. to counterbalance its pursuit of strategic objectives and have a balanced scorecard for judging the caliber of its overall performance.

*AACSB: Analytic*

*Bloom's: Remember*

*Difficulty: Medium*

*Learning Objective: 02-02 Understand the importance of setting both strategic and financial objectives.*

*Topic: Objectives*

36. (p. 30) Which of the following is the best example of a well-stated financial objective?

- A.** Increase earnings per share by 15% annually.
- B. Gradually boost market share from 10% to 15% over the next several years.
- C. Achieve lower costs than any other industry competitor.
- D. Boost revenues by a percentage greater than the industry average.
- E. Maximize total company profits and return on investment.

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Medium*

*Learning Objective: 02-02 Understand the importance of setting both strategic and financial objectives.*

*Topic: Objectives*

37. (p. 30) Which of the following is the best example of a well-stated strategic objective?

- A. Increase revenues by more than the industry average.
- B. Be among the top 5 five companies in the industry on customer service.
- C.** Overtake key competitors on product quality within three years.
- D. Improve manufacturing performance by 5% within 12 months.
- E. Obtain 150 new customers during the current fiscal year.

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Medium*

*Learning Objective: 02-02 Understand the importance of setting both strategic and financial objectives.*

*Topic: Objectives*

38. (p. 30) Strategic objectives

- A. are more essential in achieving a company's strategic vision than are financial objectives.
- B.** relate to strengthening a company's overall business and competitive position.
- C. are more difficult to achieve and harder to measure than financial objectives.
- D. are generally less important than financial objectives.
- E. help managers track an organization's true progress better than financial objectives.

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Easy*

*Learning Objective: 02-02 Understand the importance of setting both strategic and financial objectives.*

*Topic: Objectives*

39. (p. 31) A balanced scorecard for measuring company performance

- A. entails putting equal emphasis on financial and strategic objectives.
- B. entails putting balanced emphasis on profit and non-profit objectives.
- C. prevents the drive for achieving financial objectives from overwhelming the pursuit of strategic objectives.
- D. prevents the drive for achieving strategic objectives from overwhelming the pursuit of financial objectives.
- E.** entails creating a set of objectives that is "balanced" in the sense of including both financial and strategic objectives.

*AACSB: Analytic*

*Bloom's: Remember*

*Difficulty: Medium*

*Learning Objective: 02-02 Understand the importance of setting both strategic and financial objectives.*

*Topic: Balancing Objectives*

40. (p. 30) A "balanced scorecard" that includes both strategic and financial performance targets is a conceptually strong approach for judging a company's overall performance because

- A. it assists managers in putting roughly equal emphasis on short-term and long-term performance targets.
- B. it entails putting equal emphasis on good strategy execution and good business model execution.
- C. a balanced scorecard approach pushes managers to avoid setting objectives that reflect the results of past decisions and organizational activities.
- D.** financial performance measures are lagging indicators that reflect the results of past decisions and organizational activities whereas strategic performance measures are leading indicators of a company's future financial performance.
- E. it forces managers to put equal emphasis on financial and strategic objectives.

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Medium*

*Learning Objective: 02-02 Understand the importance of setting both strategic and financial objectives.*

*Topic: Balancing Objectives*

41. (p. 30) Perhaps the most reliable way for a company to improve its financial performance over time is to

- A. put 100% emphasis on the achievement of its short-term and long-term financial objectives.
- B.** recognize that the achievement of strategic objectives fosters better long-term financial performance.
- C. substitute financial intent for strategic intent and judiciously concentrate on the mission of making a profit.
- D. not allocate any resources to the achievement of strategic objectives until it is very clear that the company can meet or beat its stretch financial performance targets.
- E. avoid use of the "balanced scorecard" philosophy since achievement of financial performance targets is obviously more important than achievement of strategic performance targets.

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Easy*

*Learning Objective: 02-02 Understand the importance of setting both strategic and financial objectives.*

*Topic: Balancing Objectives*

42. (p. 30) A company that pursues and achieves strategic objectives

- A. is likely to weaken the achievement of its short-term and long-term financial objectives.
- B. believes that the company's financial performance is not as important as it really is.
- C. is generally not strongly focused on its true mission of making a profit.
- D.** is frequently in a better position to improve its future financial performance because of the increased competitiveness that flows from the achievement of strategic objectives.
- E. is likely to be a weak financial performer because diverting resources to the pursuit of strategic objectives takes away from the achievement of financial performance targets.

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Medium*

*Learning Objective: 02-02 Understand the importance of setting both strategic and financial objectives.*

*Topic: Balancing Objectives*

43. (p. 31) A company exhibits strategic intent when

- A. it adopts a strategic plan.
- B.** it relentlessly pursues an ambitious strategic objective, concentrating the full force of its resources and competitive actions on achieving that objective.
- C. senior executives pursue their strategic vision.
- D. top management establishes a comprehensive set of strategic objectives.
- E. it pursues a particular competitive advantage.

*AACSB: Analytic*

*Bloom's: Remember*

*Difficulty: Easy*

*Learning Objective: 02-02 Understand the importance of setting both strategic and financial objectives.*

*Topic: Balancing Objectives*

44. (p. 31) A set of "stretch" financial and strategic objectives

- A. pushes the company closer to true profit maximization.
- B. helps create a "balanced scorecard" for judging company performance.
- C. helps convert the mission statement into meaningful company values.
- D. challenges company personnel to execute the strategy with greater proficiency.
- E.** is an effective tool for avoiding ho-hum results.

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Easy*

*Learning Objective: 02-02 Understand the importance of setting both strategic and financial objectives.*

*Topic: Objectives*

45. (p. 31) Which one of the following is not an advantage of setting "stretch" objectives?

- A. Helping to avoid ho-hum results
- B. Pushing company personnel to be more inventive and innovative
- C.** Helping clarify the company's strategic vision and strategic intent
- D. Helping a company be more focused and intentional in its actions
- E. Spurring exceptional performance and helping build a firewall against contentment with modest performance gains

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Easy*

*Learning Objective: 02-02 Understand the importance of setting both strategic and financial objectives.*

*Topic: Objectives*

46. (p. 31) Why should long-run objectives take precedence over short-run objectives?

- A. Focus is placed on improving performance in the near-term.
- B.** Long-run objectives are necessary for achieving long-term performance and block focus on short-term results and put the company in a position to perform better later.
- C. To satisfy shareholder expectations for progress.
- D. Forces the company to consider what to do now to perform better later.
- E. None of these.

*AACSB: Analytic*

*Bloom's: Remember*

*Difficulty: Medium*

*Learning Objective: 02-02 Understand the importance of setting both strategic and financial objectives.*

*Topic: Balancing Objectives*

47. (p. 33) A company needs performance targets or objectives

- A. to help guide managers in deciding what strategic path to take in the event that a strategic inflection point is encountered.
- B. because they give the company clear-cut strategic intent.
- C. in order to unify the company's strategic vision and business model.
- D.** for its operations as a whole and also for each of its separate businesses, product lines, functional departments, and individual work units.
- E. in order to prevent lower-level organizational units from establishing their own objectives.

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Medium*

*Learning Objective: 02-02 Understand the importance of setting both strategic and financial objectives.*

*Topic: Objectives*



48. (p. 31-33) Company objectives

A. are needed only in those areas directly related to a company's short-term and long-term profitability.

**B.** need to be broken down into performance targets for each of its separate businesses, product lines, functional departments, and individual work units.

C. play the important role of establishing the direction in which it needs to be headed.

D. are important because they help guide managers in deciding what the company's strategic intent should be.

E. should be set in a manner that does not conflict with the performance targets of lower-level organizational units.

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Medium*

*Learning Objective: 02-02 Understand the importance of setting both strategic and financial objectives.*

*Topic: Objectives*

### Stage 3: Crafting a Strategy

49. (p. 33) The task of stitching together a strategy

**A.** entails addressing a series of *hows*: how to grow the business, how to please customers, how to outcompete rivals, how to respond to changing market conditions, and how to achieve strategic and financial objectives.

B. is primarily an exercise in deciding which of several freshly-emerging market opportunities to pursue.

C. is mainly an exercise that should be dictated by what is comfortable to management from a risk perspective and what is acceptable in terms of capital requirements.

D. requires trying to copy the strategies of industry leaders as closely as possible.

E. is mainly an exercise in good planning.

*AACSB: Analytic*

*Bloom's: Remember*

*Difficulty: Easy*

*Learning Objective: 02-03 Understand why the strategic initiatives taken at various organizational levels must be tightly coordinated to achieve companywide performance targets.*

*Topic: Crafting Strategy*

50. (p. 33) Masterful strategies come from

- A. successful managerial efforts to develop a sound strategic vision.
- B. doing a very thorough job of strategic planning.
- C. involving as many company personnel as possible in the strategy-making process.
- D. crafting a strategy that mimics the best parts of the strategies of the industry leaders.
- E.** doing things differently from competitors where it counts—out-innovating them, being more efficient, adapting faster—rather than running with the herd.

*AACSB: Analytic*

*Bloom's: Remember*

*Difficulty: Easy*

*Learning Objective: 02-03 Understand why the strategic initiatives taken at various organizational levels must be tightly coordinated to achieve companywide performance targets.*

*Topic: Crafting Strategy*

51. (p. 37) Strategy-making is

- A. primarily the responsibility of key executives rather than a task for a company's entire management team.
- B.** more of a collaborative group effort that involves all managers and sometimes key employees, as opposed to being the function and responsibility of a few high-level executives.
- C. first and foremost the function and responsibility of a company's strategic planning staff.
- D. first and foremost the function and responsibility of a company's board of directors.
- E. first and foremost the function of a company's chief executive officer—who formulates strategic initiatives and submits them to the board of directors for approval.

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Medium*

*Learning Objective: 02-03 Understand why the strategic initiatives taken at various organizational levels must be tightly coordinated to achieve companywide performance targets.*

*Topic: Managing Strategy*

52. (p. 37) Which of the following is not an accurate description of the task of crafting a company's strategy?

- A. In most companies, crafting strategy is a team effort, involving managers and often key employees at many organization levels.
- B. Ultimate responsibility for leading the strategy-making task rests with the chief executive officer.
- C.** The task of crafting strategy is best done by a company's chief strategic planning officer, who should report directly to the company's CEO and board of directors.
- D. It is the responsibility and duty of a company's board of directors to ensure that new strategy proposals can be defended as superior to alternatives and, ultimately, to approve or disapprove of the strategy formulated and proposed by the company's management.
- E. In most of today's companies, every company manager has a strategy-making role, ranging from major to minor, for his/her area of responsibility.

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Medium*

*Learning Objective: 02-03 Understand why the strategic initiatives taken at various organizational levels must be tightly coordinated to achieve companywide performance targets.*

*Topic: Managing Strategy*

53. (p. 34) Managerial jobs with strategy-making responsibility

- A.** extend throughout the managerial ranks and exist in every part of a company—business units, operating divisions, functional departments, manufacturing plants, and sales districts.
- B. are primarily located in the strategic planning departments of large corporations.
- C. are relatively rare because most strategy-making is done by the members of a company's board of directors.
- D. seldom exist within a functional department (e.g., marketing and sales) or in an operating unit (a plant or a district office) because these levels of the organization structure are well below the level where strategic decisions are typically made.
- E. are found only at the vice-president level and above in most companies.

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Medium*

*Learning Objective: 02-03 Understand why the strategic initiatives taken at various organizational levels must be tightly coordinated to achieve companywide performance targets.*

*Topic: Managing Strategy*

54. (p. 34) Which of the following most accurately describes the task of crafting a company's strategy?

A. In most companies, strategy-making is the exclusive province of top management—owner-entrepreneurs, CEOs, and other very senior executives.

**B.** The more a company's operations cut across different products, industries, and geographical areas, the more that headquarters executives have little option but to delegate considerable strategy-making authority to down-the-line managers in charge of particular subsidiaries, product lines, geographic sales offices, and plants.

C. A company's board of directors generally takes the lead role in crafting a company's strategy.

D. In most of today's companies, the lead strategy-making role is being assumed by an elite group of corporate entrepreneurs.

E. Masterful strategies are nearly always the product of brilliant corporate entrepreneurs.

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Easy*

*Learning Objective: 02-03 Understand why the strategic initiatives taken at various organizational levels must be tightly coordinated to achieve companywide performance targets.*

*Topic: Managing Strategy*

55. (p. 37) A company's overall strategy

A. determines whether its strategic intent is proactive or reactive.

B. is subject to being changed much less frequently than either its objectives or its mission statement and thus serves as the base of its strategy-making pyramid.

C. should be based on a flexible strategic vision and strategic intent.

D. is customarily reviewed and approved level-by-level by the company board of directors.

**E.** is really a collection of strategic initiatives and actions devised by managers and key employees up and down the whole organizational hierarchy.

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Medium*

*Learning Objective: 02-03 Understand why the strategic initiatives taken at various organizational levels must be tightly coordinated to achieve companywide performance targets.*

*Topic: Managing Strategy*

56. (p. 34-36) In a diversified company, the strategy-making hierarchy consists of
- A. corporate strategy and a group of business strategies (one for each line of business the corporation has diversified into).
  - B. corporate or managerial strategy, a set of business strategies, and divisional strategies within each business.
  - C. business strategies, functional strategies, and operating strategies.
  - D.** corporate strategy, business strategies, functional strategies, and operating strategies.
  - E. its diversification strategy, its line of business strategies, and its operating strategies.

*AACSB: Analytic*

*Bloom's: Remember*

*Difficulty: Medium*

*Learning Objective: 02-03 Understand why the strategic initiatives taken at various organizational levels must be tightly coordinated to achieve companywide performance targets.*

*Topic: Crafting Strategy*

57. (p. 34) Corporate strategy for a diversified or multi-business enterprise
- A. is orchestrated by senior corporate executives and focuses on how to create a competitive advantage in each specific line-of-business the total enterprise is in.
  - B. concerns how best to allocate resources across the departments of each line of business the company is in.
  - C.** is orchestrated by senior corporate executives and centers around the kinds of initiatives the company uses to establish business positions in different industries and efforts to boost the combined performance of the businesses the company has diversified into.
  - D. deals chiefly with what the strategic intent of each of its business units should be.
  - E. involves how functional strategies should be aligned with business strategies in each of the various lines of business the company is in.

*AACSB: Analytic*

*Bloom's: Remember*

*Difficulty: Hard*

*Learning Objective: 02-03 Understand why the strategic initiatives taken at various organizational levels must be tightly coordinated to achieve companywide performance targets.*

*Topic: Managing Strategy*

58. (p. 36) Business strategy concerns

- A.** the actions and approaches crafted by management to produce successful performance in one specific line of business.
- B. what set of businesses to be in and why.
- C. selecting a business model to use in pursuing business objectives.
- D. selecting a set of stretch financial and strategic objectives for a particular line of business.
- E. choosing the most appropriate strategic intent for a specific line of business.

*AACSB: Analytic*

*Bloom's: Remember*

*Difficulty: Easy*

*Learning Objective: 02-03 Understand why the strategic initiatives taken at various organizational levels must be tightly coordinated to achieve companywide performance targets.*

*Topic: Managing Strategy*

59. (p. 36) Business strategy, as distinct from corporate strategy, is chiefly concerned with

- A. deciding what new businesses to enter, which existing businesses to get off, and which existing business to remain in.
- B.** forging actions and approaches to compete successfully in a particular line of business.
- C. making sure the strategic intent of a particular business is in step with the company's overall strategic intent and strategy.
- D. coordinating the competitive approaches of a company's different business units.
- E. what business model to employ in each of the company's different businesses.

*AACSB: Analytic*

*Bloom's: Remember*

*Difficulty: Medium*

*Learning Objective: 02-03 Understand why the strategic initiatives taken at various organizational levels must be tightly coordinated to achieve companywide performance targets.*

*Topic: Managing Strategy*

60. (p. 36) Functional-area strategies

- A. concern the actions, approaches, and practices to be employed in managing particular functions or business processes or key activities within a business.
- B. specify what actions a company should take to resolve specific strategic issues and problems.
- C. are normally crafted by operating-level managers.
- D. are concerned with how to unify the firm's several different operating strategies into a cohesive whole.
- E. are normally crafted by the company's CEO and other senior executives.

*AACSB: Analytic*

*Bloom's: Remember*

*Difficulty: Easy*

*Learning Objective: 02-03 Understand why the strategic initiatives taken at various organizational levels must be tightly coordinated to achieve companywide performance targets.*

*Topic: Managing Strategy*

61. (p. 36) The primary role of a functional strategy is to

- A. unify the company's various operating-level strategies.
- B. specify how to build and strengthen the skills, expertise, and competencies needed to execute operating-level strategies successfully.
- C. support and add power to the corporate-level strategy.
- D. create compatible degrees of strategic intent among a company's different business functions.
- E. support the overall business strategy and competitive approach.

*AACSB: Analytic*

*Bloom's: Remember*

*Difficulty: Medium*

*Learning Objective: 02-03 Understand why the strategic initiatives taken at various organizational levels must be tightly coordinated to achieve companywide performance targets.*

*Topic: Managing Strategy*

62. (p. 36) Operating strategies concern

- A. what the firm's operating departments are doing and plan to do to unify the company's functional and business strategies.
- B. the specific plans for building competitive advantage in each major department and operating unit.
- C.** the relatively narrow strategic initiatives for managing key operating units within a business (plants, distribution centers, geographic units) and for performing strategically significant operating tasks (maintenance, shipping, inventory control, purchasing, advertising) in ways that support functional strategies and the overall business strategy.
- D. how best to carry out the company's corporate strategy.
- E. how best to implement and execute the company's different business-level strategies.

*AACSB: Analytic*

*Bloom's: Remember*

*Difficulty: Easy*

*Learning Objective: 02-03 Understand why the strategic initiatives taken at various organizational levels must be tightly coordinated to achieve companywide performance targets.*

*Topic: Managing Strategy*

63. (p. 37) In a single-business company, the strategy-making hierarchy consists of

- A. business strategy, divisional strategies, and departmental strategies.
- B.** business strategy, functional strategies, and operating strategies.
- C. business strategy and operating strategy.
- D. managerial strategy, business strategy, and divisional strategies.
- E. corporate strategy, divisional strategies, and departmental strategies.

*AACSB: Analytic*

*Bloom's: Remember*

*Difficulty: Easy*

*Learning Objective: 02-03 Understand why the strategic initiatives taken at various organizational levels must be tightly coordinated to achieve companywide performance targets.*

*Topic: Managing Strategy*



64. (p. 37) A company's strategic plan consists of
- A. its objectives and its strategy for achieving them.
  - B.** a vision of where it is headed, a set of performance targets, and a strategy to achieve them.
  - C. its strategy and management's specific, detailed plans for implementing it.
  - D. a company's strategic vision, strategic objectives, strategic intent, and strategy.
  - E. a strategic vision, a strategy, and a business model.

*AACSB: Analytic*

*Bloom's: Remember*

*Difficulty: Easy*

*Learning Objective: 02-03 Understand why the strategic initiatives taken at various organizational levels must be tightly coordinated to achieve companywide performance targets.*

*Topic: Strategic Plan*

65. (p. 38) Strategic intent refers to a situation where a company
- A. commits to using a particular business model to make money.
  - B. decides to adopt a particular strategy.
  - C.** relentlessly pursues an ambitious strategic objective, concentrating the full force of its resources and competitive actions on achieving that objective.
  - D. commits to pursuing stretch strategic objectives.
  - E. changes its long-term direction and decides to pursue a newly-adopted strategic vision.

*AACSB: Analytic*

*Bloom's: Remember*

*Difficulty: Easy*

*Learning Objective: 02-03 Understand why the strategic initiatives taken at various organizational levels must be tightly coordinated to achieve companywide performance targets.*

*Topic: Strategic Plan*

66. (p. 38) A company with strategic intent

A. is one that is going all-out to overcome the challenges of having encountered a strategic inflection point.

B. is one that is putting much more emphasis on achieving its strategic objectives than its financial objectives.

C. is one that has good alignment between its strategic objectives and its strategy.

D. usually has an aggressive strategy and plan for growing its business.

**E.** usually has an exceptionally bold and grandiose long-term objective—like becoming the dominant global market leader—and an unshakable commitment to concentrating its full resources and strategy on achieving that objective.

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Medium*

*Learning Objective: 02-03 Understand why the strategic initiatives taken at various organizational levels must be tightly coordinated to achieve companywide performance targets.*

*Topic: Strategic Plan*

#### **Stage 4: Executing the Strategy**

67. (p. 39) Which of the following is *not* among the principal managerial tasks associated with managing the strategy execution process?

A. Ensuring that policies and procedures facilitate rather than impede effective execution

B. Creating a company culture and work climate conducive to successful strategy implementation and execution

**C.** Surveying employees on how they think costs can be reduced and how employee morale and job satisfaction can be improved

D. Exerting the internal leadership needed to drive implementation forward and keep improving on how the strategy is being executed

E. Tying rewards and incentives directly to the achievement of performance objectives and good strategy execution

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Easy*

*Learning Objective: 02-04 Become aware of what a company must do to achieve operating excellence and to execute its strategy proficiently.*

*Topic: Strategy Execution*

### Stage 5: Evaluating Performance and Initiating Corrective Adjustments

68. (p. 39) Management is obligated to monitor new external developments, evaluate the company's progress, and make corrective adjustments in order to
- A. determine whether the company has a balanced scorecard for judging its performance.
  - B. stay on track in achieving the company's mission and strategic vision.
  - C. keep the company's board of directors well-informed about the company's future outlook.
  - D. determine whether the company's business model is well matched to changing market and competitive circumstances.
  - E.** decide whether to continue or change the company's strategic vision, objectives, strategy and/or strategy execution methods.

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Easy*

*Learning Objective: 02-04 Become aware of what a company must do to achieve operating excellence and to execute its strategy proficiently.*

*Topic: Strategy Evaluation*

69. (p. 40) The leadership challenges that top executives face in making corrective adjustments when things are not going well include
- A. knowing when to replace poorly performing subordinates and when to do a better job of coaching them to do the right things.
  - B. being able to discern whether to promote better achievement of strategic performance targets or whether to promote better achievement of financial performance targets.
  - C.** deciding when adjustments are needed and what adjustments to make.
  - D. having the analytical skills to separate the problems due to a bad strategy from the problems due to bad strategy execution.
  - E. deciding whether the company would be better off making adjustments that curtail the achievement of strategic objectives or that curtail the achievement of financial objectives.

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Medium*

*Learning Objective: 02-04 Become aware of what a company must do to achieve operating excellence and to execute its strategy proficiently.*

*Topic: Strategy Evaluation*

70. (p. 40) The task of top executives in making corrective adjustments includes
- A. knowing when to continue with the present corporate culture and when to shift to a different and better corporate culture.
  - B.** deciding when adjustments are needed and what adjustments to make.
  - C. being good at figuring out whether to arrive at decisions quickly or slowly in choosing among the various alternative adjustments.
  - D. deciding whether to try to fix the problems of poor strategy execution or simply shift to a strategy that is easier to execute correctly.
  - E. deciding how to identify the problems that need fixing.

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Medium*

*Learning Objective: 02-04 Become aware of what a company must do to achieve operating excellence and to execute its strategy proficiently.*

*Topic: Strategy Evaluation*

### **Corporate Governance: The Role of the Board of Directors in the Strategy-Crafting, Strategy-Executing Process**

71. (p. 41) The primary roles/obligations of a company's board of directors in the strategy-making, strategy-executing process include
- A. playing the lead role in forming the company's strategy and then directly supervising the efforts and actions of senior executives in implementing and executing the strategy.
  - B. providing guidance and counsel to the CEO in carrying out his/her duties as chief strategist and chief strategy implementer.
  - C.** overseeing the company's direction, strategy and business approaches and evaluating the caliber of senior executives' strategy-making and strategy-executing skills.
  - D. working closely with the CEO, senior executives, and the strategic planning staff to develop a strategic plan for the company and then overseeing how well the CEO and senior executives carry out the board's directives in implementing and executing the strategic plan.
  - E. reviewing and approving the company's business model and also reviewing and approving the proposals and recommendations of the CEO as to how to execute the business model.

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Medium*

*Learning Objective: 02-05 Become aware of the role and responsibility of a company's board of directors in overseeing the strategic management process.*

*Topic: Corporate Governance*

72. (p. 41) The obligations of an investor-owned company's board of directors in the strategy-making, strategy-executing process include

A. coming up with compelling strategy proposals of their own to debate against those put forward by top management.

**B.** overseeing the company's financial accounting and financial reporting practices and evaluating the caliber of senior executives' strategy-making/strategy-executing skills.

C. taking the lead in developing the company's business model and strategic vision.

D. taking the lead in formulating the company's strategic plan but then delegating the task of implementing and executing the strategic plan to the company's CEO and other senior executives.

E. approving the company's operating strategies, functional-area strategies, business strategy, and overall corporate strategy.

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Medium*

*Learning Objective: 02-05 Become aware of the role and responsibility of a company's board of directors in overseeing the strategic management process.*

*Topic: Corporate Governance*

73. (p. 40-41) Which one of the following is *not* among the chief duties/responsibilities of a company's board of directors insofar as the strategy-making, strategy-executing process is concerned?

**A.** Hiring and firing senior-level executives and working with the company's chief strategic planning officer to improve the company's strategy when performance comes up short of expectations

B. Being inquiring critics and exercising strong oversight over the company's direction, strategy, and business approaches

C. Evaluating the caliber of senior executives' strategy-making/strategy-executing skills

D. Instituting a compensation plan for top executives that rewards them for actions and results that serve stakeholders' interests, most especially those of shareholders

E. Overseeing the company's financial accounting and financial reporting practices

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Medium*

*Learning Objective: 02-05 Become aware of the role and responsibility of a company's board of directors in overseeing the strategic management process.*

*Topic: Corporate Governance*

**Short Answer Questions**

74. (p. 21) What are the five phases of the strategy-making, strategy-executing process and what does each one involve?

Answer will vary

*AACSB: Analytic*

*Bloom's: Remember*

*Difficulty: Medium*

*Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.*

*Topic: Strategy Process*

75. (p. 23) A well-conceived strategic vision helps prepare a company for the future. True or false? Explain and justify your answer.

Answer will vary

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Medium*

*Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.*

*Topic: Strategic Vision*

76. (p. 26) Explain why an organization needs a strategic vision. What purpose does a strategic vision serve?

Answer will vary

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Medium*

*Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.*

*Topic: Strategic Vision*

Chapter 02 - Charting a Company's Direction: Vision and Mission, Objectives, and Strategy

77. (p. 23) What is the managerial value of a good strategic vision?

Answer will vary

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Medium*

*Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.*

*Topic: Strategic Vision*

78. (p. 26-27) What is the difference between a mission statement and a strategic vision?

Answer will vary

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Medium*

*Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.*

*Topic: Strategic Vision*

79. (p. 26-27) Which is more important—a company's mission statement or its strategic vision? Explain.

Answer will vary

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Medium*

*Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.*

*Topic: Strategic Vision*

80. (p. 15; 20) Define and briefly explain what is meant by each of the following terms:

- a) strategic vision
- b) stretch objectives
- c) strategic objective
- d) balanced scorecard
- e) strategic intent
- f) strategic plan

Answer will vary

*AACSB: Analytic*

*Bloom's: Remember*

*Difficulty: Hard*

*Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.*

*Topic: Strategy*

81. (p. 28) Identify the key characteristics of a well-stated organizational objective.

Answer will vary

*AACSB: Analytic*

*Bloom's: Remember*

*Difficulty: Medium*

*Learning Objective: 02-02 Understand the importance of setting both strategic and financial objectives.*

*Topic: Objectives*

82. (p. 31) What is meant by the term "stretch objectives?" Is it important that companies establish stretch objectives? Why or why not?

Answer will vary

*AACSB: Analytic*

*Bloom's: Remember*

*Difficulty: Medium*

*Learning Objective: 02-02 Understand the importance of setting both strategic and financial objectives.*

*Topic: Objectives*



83. (p. 28-30) Why does an organization need both financial and strategic objectives?

Answer will vary

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Medium*

*Learning Objective: 02-02 Understand the importance of setting both strategic and financial objectives.*

*Topic: Objectives*

84. (p. 28-30) Explain the difference between financial objectives and strategic objectives. Give examples of each.

Answer will vary

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Medium*

*Learning Objective: 02-02 Understand the importance of setting both strategic and financial objectives.*

*Topic: Objectives*

85. (p. 28-30) What are the qualities of a "well-stated" objective? Give an example of a well-stated financial objective and a well-stated strategic objective.

Answer will vary

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Medium*

*Learning Objective: 02-02 Understand the importance of setting both strategic and financial objectives.*

*Topic: Objectives*

86. (p. 30-31) The achievement of financial objectives tends to be a lagging indicator of a company's performance while the achievement of strategic objectives tends to be a leading indicator of a company's future financial performance. True or false? Support and explain your answer.

Answer will vary

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Medium*

*Learning Objective: 02-02 Understand the importance of setting both strategic and financial objectives.*

*Topic: Objectives*

87. (p. 30-31) What is the meaning of the term "balanced scorecard?" What are the merits of using a balanced scorecard in judging a company's performance?

Answer will vary

*AACSB: Analytic*

*Bloom's: Remember*

*Difficulty: Medium*

*Learning Objective: 02-02 Understand the importance of setting both strategic and financial objectives.*

*Topic: Objectives*

88. (p. 30-31) Which is more important to a company's future financial performance: the achievement of strategic objectives or the achievement of financial objectives? Why?

Answer will vary

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Medium*

*Learning Objective: 02-02 Understand the importance of setting both strategic and financial objectives.*

*Topic: Objectives*

89. (p. 34-37) What is the strategy-making hierarchy for a diversified company? How does it differ from the strategy-making hierarchy for a single business company?

Answer will vary

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Medium*

*Learning Objective: 02-03 Understand why the strategic initiatives taken at various organizational levels must be tightly coordinated to achieve companywide performance targets.*

*Topic: Managing Strategy*

90. (p. 34-37) A company's strategy is really a collection of levels of strategies. True or false? Discuss and explain.

Answer will vary

*AACSB: Analytic*

*Bloom's: Apply*

*Difficulty: Medium*

*Learning Objective: 02-03 Understand why the strategic initiatives taken at various organizational levels must be tightly coordinated to achieve companywide performance targets.*

*Topic: Managing Strategy*

91. (p. 34-37) Discuss the meaning of each of the following levels of strategy and indicate what level of management tends to take lead responsibility for crafting the strategy at each of the four levels:

- a) corporate strategy
- b) business strategy
- c) functional area strategy
- d) operating strategy

Answer will vary

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Medium*

*Learning Objective: 02-03 Understand why the strategic initiatives taken at various organizational levels must be tightly coordinated to achieve companywide performance targets.*

*Topic: Managing Strategy*

Chapter 02 - Charting a Company's Direction: Vision and Mission, Objectives, and Strategy

92. (p. 37-38) An organization's strategic plan consists of the actions which management plans to take in the near future. True or false? Explain and justify your answer.

Answer will vary

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Medium*

*Learning Objective: 02-03 Understand why the strategic initiatives taken at various organizational levels must be tightly coordinated to achieve companywide performance targets.*

*Topic: Objectives*

93. (p. 38-39) Explain why a company's strategy is really a collection of strategies.

Answer will vary

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Hard*

*Learning Objective: 02-04 Become aware of what a company must do to achieve operating excellence and to execute its strategy proficiently.*

*Topic: Managing Strategy*

94. (p. 39) Identify four actions that are key elements of leading the strategy execution process.

Answer will vary

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Medium*

*Learning Objective: 02-04 Become aware of what a company must do to achieve operating excellence and to execute its strategy proficiently.*

*Topic: Strategy Execution*

95. (p. 40) Who is responsible for actually performing the five phases of the strategy-making, strategy-executing process?

Answer will vary

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Medium*

*Learning Objective: 02-05 Become aware of the role and responsibility of a company's board of directors in overseeing the strategic management process.*

*Topic: Strategy Evaluation*

96. (p. 41) What is the role and responsibility of a company's CEO in the strategy-making, strategy-executing process?

Answer will vary

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Easy*

*Learning Objective: 02-05 Become aware of the role and responsibility of a company's board of directors in overseeing the strategic management process.*

*Topic: Strategy Evaluation*

97. (p. 40-43) The task of crafting a company's strategy is typically a job for the company's whole management team, not just a small group of senior executives. True or false? Explain and support your answer.

Answer will vary

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Hard*

*Learning Objective: 02-05 Become aware of the role and responsibility of a company's board of directors in overseeing the strategic management process.*

*Topic: Strategy Evaluation*

Chapter 02 - Charting a Company's Direction: Vision and Mission, Objectives, and Strategy

98. (p. 40-43) Identify four actions that top executives can take to help instill a spirit of high achievement into the corporate culture and mobilize organizational energy behind the drive for good strategy execution and operating excellence.

Answer will vary

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Medium*

*Learning Objective: 02-05 Become aware of the role and responsibility of a company's board of directors in overseeing the strategic management process.*

*Topic: Strategy Evaluation*

99. (p. 40-41) What are the roles/obligations of a company's board of directors in the strategy-making, strategy-executing process?

Answer will vary

*AACSB: Analytic*

*Bloom's: Understand*

*Difficulty: Easy*

*Learning Objective: 02-05 Become aware of the role and responsibility of a company's board of directors in overseeing the strategic management process.*

*Topic: Strategy Evaluation*

100. (p. 40-41) Identify and briefly discuss at least three obligations of a company's board of directors in corporate governance and the strategy-making, strategy-executing process.

Answer will vary

*AACSB: Analytic*

*Bloom's: Remember*

*Difficulty: Hard*

*Learning Objective: 02-05 Become aware of the role and responsibility of a company's board of directors in overseeing the strategic management process.*

*Topic: Strategy Evaluation*