MULTIPLE CHOICE QUESTIONS (The letter after each item number is the correct answer)

1B Which is NOT one of the strategic questions that an organization must ask itself?

a. Where is the organization now?
b. How can functional and operational areas be improved?
c. If no changes are made, where will the organization be in one year?
d. If the evaluation is negative, what specific actions should management take?
e. If no changes are made, where will the organization be in 10 years?

2D Which of the following is NOT a characteristic of strategic decisions as mentioned in the text?

a. directive
b. consequential
c. rare
d. continuous

3A Strategic planning within a small organization

a. may be informal and irregular.
b. must be elaborate to allow for future growth.
c. should be formalized and explicitly stated
d. should be done by the president only.
e. is unnecessary and a waste of time.

4D An organization that is skilled at creating, acquiring, and transferring knowledge and at modifying its behavior to reflect new knowledge and insights

a. asks if it should be or not be.
b. is operating in Phase 1 of strategic management.
c. has a mechanistic structure.
d. is a learning organization.
e. is crazy.

5B Research suggests that strategic management evolves through four sequential phases in corporations. The first phase is

a. externally-oriented planning.
b. basic financial planning.
c. internally-oriented planning.
d. forecast-based planning.
e. strategic management.

6A Research done by Henry Mintzberg suggests that strategy formulation

a. is an irregular and a discontinuous process.
b. should be followed unswervingly to ensure success of the plan.
c. is worthless.
d. should be reviewed after a specific interval of time to make sure it is still applicable.
e. is merely a checklist of actions following a logical process.

7B Which of the following is NOT one the five triggering events that are the stimulus for a strategic change?

a. Intervention by the organization's bank
b. Entrance of a new competitor into the industry
c. Change in ownership of the organization
d. New CEO
e. Awareness by management of decreased profitability

8B The corporate mission is best described by which one of the following?

a. A description of the activities carried out by the organization.
b. The purpose or reason for the corporation's existence.
c. A description of top management's responsibilities.
d. A statement of corporate objectives.
e. The philosophy of the founder.

9A A goal differs from an objective because it

a. is open-ended.
b. is quantified.
c. specifies measurable results.
d. is clearly specified.
e. provides a time horizon.

10C As defined in this course, a policy is

a. the purpose or reason for a corporation's existence.
b. a statement of activities or steps needed to accomplish a single-use plan.
c. a broad guideline for making decisions.
d. a comprehensive master plan stating how a corporation will achieve its mission and objectives.
e. a statement of a corporation's programs in dollar terms.

11B Which of the following is an example of an objective?

a. Diversify product line to appeal to more people.
b. Increase sales by 10% over last year.
c. Pay highest salaries to keep high quality employees.
d. Develop and sell quality appliances world-wide.
e. Divide a sales region into a group of sales districts.

12A Which of the following is an example of a strategy?

a. Diversify product line to appeal to more people.
b. Increase sales by 10% over last year.
c. Pay highest salaries to keep high quality employees.
d. Develop and sell quality appliances world-wide.
e. Divide a sales region into a group of sales districts.

13C Which of the following is an example of a policy?

a. Diversify product line to appeal to more people.
b. Increase sales by 10% over last year.
c. Pay highest salaries to keep high quality employees.
d. Develop and sell quality appliances world-wide.
e. Divide a sales region into a group of sales districts.

14D Which of the following is an example of a mission?

a. Diversify product line to appeal to more people.
b. Increase sales by 10% over last year.
c. Pay highest salaries to keep high quality employees.
d. Develop and sell quality appliances world-wide.
e. Divide a sales region into a group of sales districts.

15E Which of the following is an example of a program?

a. Diversify product line to appeal to more people.
b. Increase sales by 10% over last year.
c. Pay highest salaries to keep high quality employees.
d. Develop and sell quality appliances world-wide.
e. Divide a sales region into a group of sales districts.

16A Which of the following is an example of a procedure?

a. Evaluate all personnel annually in January using Form 25-51.
b. Pay highest salaries to keep high quality employees.
c. Divide a sales region into a group of sales districts.
d. Develop and sell quality appliances world-wide.
e. Diversify product line to appeal to more people.

17C According to Mintzberg, the entrepreneurial mode of strategy formulation

a. is characterized by reactive solutions to existing problems.
b. assumes major responsibilities for strategy formulation.
c. is focused on opportunities seen by one person.
d. includes the proactive search for new opportunities and reactive solutions to existing problems.
e. assumes the environment is unresponsive to input.

18B The mode of strategy formulation used when top management has a reasonably clear idea of the corporation's mission and objectives, but it chooses to develop a series of tentative or partial strategies instead of developing full-blown strategies is called

a. planning mode.
b. logical incrementalism.
c. entrepreneurial mode.
d. adaptive mode.
e. strategic mode.

19A A large, multidivisional business has three levels in its hierarchy of strategy:

a. Corporate -- Business -- Functional.
b. Environmental -- Corporate -- Functional.
c. Environmental -- Enterprise -- Corporate.
d. Business -- Divisional -- Functional.
e. Industry -- Corporate -- Divisional.

20B The first step of the strategic decision making process, as given in the book, is to

a. review corporate governance.
b. evaluate current performance results.
c. analyze strategic factors.
d. scan the internal environment.
e. scan the external environment.

21B The focus of "functional strategy" is

a. on stability, growth, or retrenchment.
b. maximizing resource productivity.
c. on overall cost leadership differentiation.
d. achieving overall direction.
e. scanning the environment.

CHAPTER TWO

CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY

MULTIPLE CHOICE QUESTIONS (The letter after each item number is the correct answer)

1D The responsibilities of the board of directors vary significantly by country and by state; however, there is a developing consensus as to what the major responsibilities should be. Which of the following is NOT one of the major responsibilities?

a. To oversee the management of the corporation's resources.
b. To establish or approve the corporation's mission, objectives, strategy, and policies.
c. To review management's actions in light of the financial performance or the corporation.
d. To become directly involved in managerial decisions.
e. To hire and fire the principal operating officers of the corporation.

2E The concept which states that directors must carry out their responsibilities in a conscientious manner so that the corporation is not harmed by their actions is called

a. codetermination.
b. due diligence.
c. cumulative voting.
d. accountability.
e. due care.

3B Which of the following is NOT a task of the board of directors in strategic management?

a. to monitor
b. to implement
c. to influence
d. to initiate and determine
e. to evaluate

4B Catalyst board of directors typically

a. are less involved than active participation boards.
b. take leading roles in establishing and modifying the company mission.
c. are involved in a limited degree of key decision making.
d. are held to a greater degree of legal responsibility.
e. experience more financial success than less involved boards.

5B Outside directors are defined as

a. those individuals who scan the external environment.
b. individuals on the board who are not employed by the board's corporation.
c. those individuals with public relations responsibilities.
d. board members who are also officers or executives employed by the corporation.
e. individuals who organize and coordinate politically focused activities.

6D Outsiders make up to what percentage of board membership in large U.S. corporations?

a. 10%
b. 30%
c. 50%
d. 80%
e. 90%

7A The vast majority of outside directors are all BUT ONE of the following:

a. union representatives.
b. CEOs.
c. COOs.
d. academicians.
e. attorneys.

8B Corporate governance deals with the relationship among the board of directors, top management, and

a. key stakeholder groups, such as customers and employees.
b. shareholders.
c. middle management.
d. environmental issues.
e. strategic factors.

9C Affiliated directors are

a. employees of the corporation.
b. directors in an interlocking directorate.
c. outside directors who have a personal or business stake in corporate activities.
d. agents of top management.
e. executives of other firms.

10E In a large corporation, the agents in agency theory are

a. shareholders.
b. the board of directors.
c. employees.
d. stakeholder groups.
e. top management.

11C Under what circumstances does a DIRECT interlocking directorate exist?

a. When both management and the board establish corporate strategic management.
b. When a corporation's employees serve on its board.
c. When one or more individuals on one board also serve on a board of a second firm.
d. Present when all board members are also employed by the corporation.
e. Occurs when two corporations have directors who serve on the board of a third firm.

12E An outside director selected by the board to conduct an evaluation of the CEO is called

a. an auditing director.
b. the evaluator.
c. the chair of the evaluation committee.

d. the chairman of the board.
e. a lead director.

13A One result of the U.S. of the Sarbanes-Oxley Act is that

a. boards may no longer grant loans to corporate officers.
b. top management must provide a financial expert to serve on the audit committee.
c. boards must be entirely composed of outsiders.
d. whistle blowers are no longer protected.
e. a CEO can no longer act as a board chairperson.

14D The percentage of CEOs of U.S. *Fortune 500* corporations who also serve as chairman of the board is

a. less than 10%.
b. 20%.
c. 50%.
d. 70%.
e. over 90%.

15C Which of the following is a trend in corporate governance?

a. Increasing percentage of insiders on the board.
b. Less stock ownership by directors and executives.
c. Increasing numbers of institutional investors on the board.
d. Less willingness of the board to consider issues in social responsibility.
e. Increasing use of consultants in formulating strategy.

16E Which of the following is NOT a characteristic of a top manager providing executive leadership?

a. The CEO presents a role for others to identify with and to follow.
b. The CEO articulates a strategic vision for the corporation.
c. The CEO communicates high performance standards.
d. The CEO shows confidence in people's abilities to reach a high level of performance.
e. The CEO personally formulates and implements all strategy.

17D The CEO must successfully handle two responsibilities crucial to effective strategic management -

a. look like a strategist and act like a strategist.
b. balance many demands and show initiative.
c. think long term and act short term.
d. provide executive leadership and manage the strategic planning process.
e. articulate a strategic vision and communicate high performance standards.

18B Which one of the following is NOT one of the arguments against social responsibility as used by economist Milton Friedman?

a. Spending money for social responsibility is spending the stockholder's money for a general social interest.

b. Businesses can actually do very little in terms of social responsibility.
c. Spending money on social responsibility is acting from motives other than economic and may, in the long run, cause harm to the very society the firm is trying to help.
d. There is one and only one social responsibility of business -- to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game.
e. Through taking on the burden of social costs, the organization becomes less efficient causing price increases or postponement of growth.

19A Economist Milton Friedman has argued that a business's only responsibility is to

a. maximize profits in a legal manner.
b. sustain its market share.
c. promote the welfare of society.
d. satisfy its employees.
e. satisfy its customers.

20E The responsibilities that management of a business organization assumes as purely voluntary obligations are

a. legal responsibilities.
b. ethical responsibilities.
c. financial responsibilities.
d. economic responsibilities.
e. discretionary responsibilities.

21A The term "social responsibility" can be viewed as a combination of an

a. organization's ethical and discretionary responsibilities.
b. organization's legal and ethical responsibilities.
c. organization's economic and ethical responsibilities.
d. organization's financial and economic responsibilities.
e. organization's legal and discretionary responsibilities.

22B A group of people who affect or are affected by a corporation’s decisions and actions are called

a. stockholders.
b. stakeholders.
c. shareholders.
d. customers.
e. affiliates.

23C The ethical approach that proposes that decision makers be equitable, fair, and impartial in the distribution of costs and benefits to individuals and groups is the

a. individual rights approach.
b. utilitarian approach.
c. justice approach.
d. fair approach.
e. best approach.