

Chapter 01

Strategic Management

Multiple Choice Questions

1. (p. 3) Which of the following is an element of a firm's remote external environment?

- A. Competition
- B. Suppliers
- C. Government agencies
- D.** Economic and social conditions

Difficulty: Easy

Learning Objective: 1

2. (p. 3) Which of the following is NOT a part of a firm's immediate external environment?

- A.** Technological development
- B. Competitors
- C. Suppliers
- D. Government agencies

Difficulty: Easy

Learning Objective: 1

3. (p. 3) The immediate external environment includes:

- A.** Competitors
- B. S. B. U. s
- C. Divisions
- D. Management

Difficulty: Easy

Learning Objective: 1

4. (p. 3) The _____ comprises economic and social conditions, political priorities and technological developments, all of which must be anticipated, monitored, assessed and incorporated into the executive's decision making.

- A. Remote external environment
- B. Task environment
- C. Operating environment
- D. Internal environment

Difficulty: Easy
Learning Objective: 1

5. (p. 3) The set of decisions and actions resulting in the formulation and implementation of plans designed to achieve a company's objectives is defined as:

- A. Strategic policy
- B. Business policy
- C. Strategic management
- D. Tactics

Difficulty: Medium
Learning Objective: 2

6. (p. 3) Strategic management comprises nine critical tasks. Which of the following is NOT one of the tasks?

- A. Development of annual objectives compatible with grand strategies
- B. Assessment of the company's external environment
- C. Selection of a particular set of long-term objectives and grand strategies
- D. Evaluate the success of the strategic process

Difficulty: Medium
Learning Objective: 2

7. (p. 4) Strategic management involves the _____, directing, _____ and controlling of a company's strategy-related decisions and actions.

- A. Financing; marketing
- B. Planning; financing
- C. Marketing; planning
- D.** Planning; organizing

Difficulty: Medium
Learning Objective: 2

8. (p.4) Large-scale, future-oriented plans, for interacting with the competitive environment to achieve company objectives refers to its

- A.** Strategy
- B. Goals
- C. Competitive analysis
- D. Dynamic policies

Difficulty: Easy
Learning Objective: 2

9. (p. 4) A strategy is a company's

- A.** Game plan
- B. Pricing policy
- C. Value statement
- D. Long-term objective

Difficulty: Easy
Learning Objective: 2

10. (p. 4) A _____ is a company's game plan.

- A.** Strategy
- B. Pricing policy
- C. Value statement
- D. Long-term objective

Difficulty: Easy
Learning Objective: 2

11. (p. 4) A(n) _____ reflects a company's awareness of how, when and where it should compete, against whom it should compete and for what purpose it should compete.

- A. Vision
- B. Organizational structure
- C. Strategy**
- D. Long-term objective

Difficulty: Medium
Learning Objective: 2

12. (p. 4) A(n) strategy reflects a company's awareness of how, when and where it should _____, against whom it should _____ and for what purpose it should _____.

- A. cooperate
- B. ally
- C. compete**
- D. plan

Difficulty: Medium
Learning Objective: 2

13. (p. 4) Strategic issues require which level of management decisions?

- A. Operative
- B. Top**
- C. Front-line
- D. Middle

Difficulty: Easy
Learning Objective: 2

14. (p. 5) Strategic decisions ostensibly commit the firm for

- A. 1-2 years
- B. The short term
- C. 3-4 years
- D.** A long time, typically five years

Difficulty: Medium

Learning Objective: 2

15. (p. 5) Strategic issues require large amounts of the company's

- A. strengths
- B. opportunities
- C. suppliers
- D.** resources

Difficulty: Medium

Learning Objective: 2

16. (p. 4-5) Some business decisions are strategic and therefore deserve strategic management attention. Which of the following is one of the six strategic issue dimensions?

- A. Requires front-line employee decisions
- B. Is not likely to have a significant impact on long-term prosperity of the firm
- C.** Necessitates considering factors in the firm's external environment
- D. Is spontaneous

Difficulty: Medium

Learning Objective: 3

17. (p. 5) Which of the following applies to strategic issues?
- A. Consider only the firm's internal environment
 - B. Are future oriented**
 - C. Concern allocation of insignificant amounts of company resources
 - D. Do not have long-term impact on the firm's prosperity

Difficulty: Easy
Learning Objective: 3

18. (p. 5) Strategic issues are ____ oriented.
- A. future**
 - B. present
 - C. past
 - D. timelessly

Difficulty: Hard
Learning Objective: 3

19. (p. 5) Strategic decisions are based on what managers _____, rather than on what they _____.
- A. Forecast; know**
 - B. React to; anticipate
 - C. Know; forecast
 - D. Compromise with; analyze

Difficulty: Hard
Learning Objective: 3

20. (p. 5) All businesses exist in a(n) _____ system.

- A. open
- B. closed
- C. insular
- D. protected

Difficulty: Hard
Learning Objective: 3

21. (p. 5) In a turbulent and competitive free enterprise environment, a firm will succeed only if it takes a(n) _____ stance towards change.

- A. Reactive
- B. Anti-regulatory or anti-government
- C. Proactive
- D. Vision and not mission

Difficulty: Medium
Learning Objective: 3

22. (p. 6) General Electric is a multi-business company. It typically would have _____ levels of strategy.

- A. 5 or more
- B. 4
- C. 3
- D. 2

Difficulty: Easy
Learning Objective: 4

23. (p. 6) Which level of strategy uses a portfolio approach?

- A. Business
- B. Operational
- C. Corporate
- D. Functional

Difficulty: Easy
Learning Objective: 4

24. (p. 6) Which level of strategy is in the middle of the decision-making hierarchy?

- A. Corporate
- B. Functional
- C. Business**
- D. Strategic

Difficulty: Easy
Learning Objective: 4

25. (p. 6) Which level of strategy is at the bottom of the decision-making hierarchy?

- A. Corporate
- B. Business
- C. Functional**
- D. Strategic

Difficulty: Easy
Learning Objective: 4

26. (p. 6) Which level of strategy is at the top of the decision-making hierarchy?

- A. Functional
- B. Business
- C. Corporate**
- D. Operational

Difficulty: Easy
Learning Objective: 4

27. (p. 6) Typically how many strategic decision levels are in the corporate decision-making hierarchy?

- A. 5 or more
- B. 4
- C. 3**
- D. 2

Difficulty: Easy
Learning Objective: 4

28. (p. 6) To a large extent, attitudes at the corporate level reflect the concerns of
- A. Stockholders and society at large
 - B. Top managers
 - C. The CEO
 - D. The federal government

Difficulty: Medium
Learning Objective: 4

29. (p. 6) The top of the decision-making hierarchy comprises all of these EXCEPT
- A. Board of directors
 - B. Front-line managers
 - C. The CEO
 - D. Administrative officers

Difficulty: Easy
Learning Objective: 4

30. (p. 6) In a multi-business firm, _____ -level executives determine the businesses in which the firm should be involved.
- A. Business
 - B. Functional
 - C. Corporate
 - D. Operative

Difficulty: Medium
Learning Objective: 4

31. (p. 6) At Office Supply, Inc., _____ -level managers would be responsible for determining whether the company should be involved in home furnishings or electronic appliance businesses, where as _____ -level managers would be responsible for determining how the firm will compete in the selected product-market arena.
- A. Business; corporate
 - B. Corporate; functional
 - C. Functional; business
 - D. Corporate; business

Difficulty: Hard
Learning Objective: 4

32. (p. 6) In the middle of the decision-making hierarchy is the _____ level.

- A. Corporate
- B. Functional
- C.** Business
- D. Strategic

Difficulty: Medium
Learning Objective: 4

33. (p. 6) Who determines the basis on which a company can compete in the selected product-market arena?

- A. Functional-level strategic managers
- B. Corporate-level strategic managers
- C.** Business-level strategic managers
- D. Operational managers supervising operative

Difficulty: Medium
Learning Objective: 4

34. (p. 6) Which of these managers tries to identify and secure the most profitable and promising market segment?

- A. Functional managers
- B. Corporate managers
- C.** Business managers
- D. Operative

Difficulty: Medium
Learning Objective: 4

35. (p. 6) The functional level of decision making is characterized by:

- A. The board of directors deriving corporate goals
- B.** Managers of product, geographic and functional areas
- C. The CEO developing a company profile
- D. Business managers interpreting the mission into operational objectives

Difficulty: Medium
Learning Objective: 4

36. (p. 6) Which strategic level is typically responsible for developing annual objectives and short-term strategies?

- A. Functional level
- B. Corporate level
- C. Business level
- D. Board of Directors level

Difficulty: Medium
Learning Objective: 4

37. (p. 6) Which of the following is NOT a level in the decision-making hierarchy of a firm?

- A. Business
- B. Corporate
- C. Operative
- D. Functional

Difficulty: Medium
Learning Objective: 4

38. (p. 6) Functional managers are typically responsible for which of the following?

- A. Annual objectives
- B. Tactics
- C. Corporate goals
- D. Mission

Difficulty: Medium
Learning Objective: 4

39. (p. 7) Whereas corporate and business-level managers center their attention on _____, managers at functional-level center their attention on _____.

- A. Operational issues; strategic issues
- B. Doing things right; doing the right things
- C. Entrepreneurial mode; adaptive mode
- D. Doing the right things; doing things right

Difficulty: Hard
Learning Objective: 4

40. (p. 7) Decisions at which level of management tend to be more value-oriented and conceptual?

- A. Functional
- B.** Corporate
- C. Operative
- D. Business

Difficulty: Medium
Learning Objective: 4

41. (p. 8) Dividend policies are decided at the

- A.** Corporate level
- B. Business level
- C. Functional level
- D. Operational level

Difficulty: Medium
Learning Objective: 4

42. (p. 8) Which level of decisions encompasses greater risk, cost and profit potential?

- A. Business
- B. Lower echelon
- C.** Corporate
- D. Functional

Difficulty: Medium
Learning Objective: 4

43. (p. 8) Corporate-level decisions are characterized by:

- A. Decreased risk
- B. Doing things right
- C. Short-time horizons
- D.** Greater profit

Difficulty: Hard
Learning Objective: 4

44. (p. 8) Decisions concerning plant location, distribution channels, geographic coverage and market segmentation are typically made at:

- A. The corporate level
- B.** The business level
- C. The functional level
- D. The front-line operational level

Difficulty: Medium
Learning Objective: 4

45. (p. 8) The degree to which participation, responsibility, authority and discretion in decision-making are specified is called:

- A. Informality
- B.** Formality
- C. Functional tactic
- D. Dynamic mode

Difficulty: Medium
Learning Objective: 4

46. (p. 8) Which one of these forces DOES NOT determine how much formality is needed in strategic management?

- A. Size
- B.** Country of origin
- C. Complexity of environment
- D. Predominant management style

Difficulty: Medium
Learning Objective: 4

47. (p. 8) Which of these is usually positively correlated with the cost, comprehensiveness, accuracy and success of planning?

- A.** Greater formality
- B. Functional structure
- C. Organizational matrix
- D. Functional tactics

Difficulty: Medium
Learning Objective: 4

48. (p. 9) According to Henry Mintzberg, there are ____ modes based upon formality in strategic management.

- A. 4
- B. 2
- C. 5
- D.** 3

Difficulty: Medium
Learning Objective: 4

49. (p. 9) According to Henry Mintzberg, very large firms typically use the _____ mode of strategic management.

- A. Adaptive
- B. Entrepreneurial
- C. Informal
- D.** Planning

Difficulty: Medium
Learning Objective: 4

50. (p. 9) Henry Mintzberg identified a mode which he associates with medium-sized firms in relatively stable environments. This is referred to as a(n) ____ mode.

- A. Entrepreneurial
- B.** Adaptive
- C. Business
- D. Planning

Difficulty: Medium
Learning Objective: 4

51. (p. 9) Firms that are basically under the control of a single individual and produce a limited number of products/services are referred to as following _____ mode.

- A. Entrepreneurial
- B. Intrapreneurial
- C. Managerial
- D. Corporate

Difficulty: Medium
Learning Objective: 4

52. (p. 9) The informal, intuitive and limited approach to strategic management associated with owner-managers of smaller firm refers to the _____ mode of formality, according to Mintzberg.

- A. Entrepreneurial
- B. Functional
- C. Planning
- D. Adaptive

Difficulty: Easy
Learning Objective: 4

53. (p. 9) The planning mode refers to the

- A. Strategic formality associated with the large firms that operate under a comprehensive, formal planning system
- B. Strategic formality associated with medium-sized firms that emphasize the incremental modification of existing competitive approaches
- C. Strategic formality associated with global firms that emphasize cultural value systems
- D. Informal, intuitive and limited approach to strategic management with owner-manager of smaller firms

Difficulty: Medium
Learning Objective: 4

54. (p. 9) According to Mintzberg, the adaptive mode refers to
- A. Strategic formality associated with the large firms that operate under a comprehensive, formal planning system
 - B. Strategic formality associated with medium-sized firms that emphasize the incremental modification of existing competitive approaches**
 - C. Strategic formality associated with global firms that emphasize cultural value systems
 - D. Informal, intuitive and limited approach to strategic management with owner-manager of smaller firms

Difficulty: Medium
Learning Objective: 4

55. (p. 9) Which of these is NOT a mode of formality identified by Mintzberg?
- A. Adaptive
 - B. Planning
 - C. Functional**
 - D. Entrepreneurial

Difficulty: Easy
Learning Objective: 4

56. (p. 9) The ideal strategic management team includes decision makers from
- A. All three company levels (corporate, business and functional)**
 - B. Just the functional level since they are closest to the customers
 - C. Just the corporate and business levels given that they focus on doing the right thing
 - D. Just the top management since they understand the big picture

Difficulty: Medium
Learning Objective: 4

57. (p. 9) Managers at the _____ level typically have principal responsibilities for developing environmental analysis and forecasting, establishing business objectives and developing business plans prepared by staff groups.
- A. Corporate
 - B. Functional
 - C. Operational
 - D. Business**

Difficulty: Medium
Learning Objective: 4

58. (p. 9) When the dominance of the CEO approaches autocracy, the effectiveness of the firm's strategic planning and management processes are likely to:

- A. Enhance strategic planning but diminish its processes
- B. Be greatly enhanced
- C. Have no effect
- D.** Be diminished

Difficulty: Medium
Learning Objective: 5

59. (p. 10) Which of these is NOT true about the behavioral effect of strategic management?

- A. Strategy formulation activities enhance the firm's ability to prevent problems
- B. Resistance to change is reduced
- C.** Gaps and overlaps in activities among individuals and groups are increased to ensure the checks and balance
- D. The employee involvement in strategy formulation improves their understanding of the productivity reward relationship in every strategy plan

Difficulty: Hard
Learning Objective: 5

60. (p. 10) The behavioral consequences of strategic management are similar to those of

- A. authoritative decision making
- B. centralized decision making
- C. autocratic decision making
- D.** participative decision making

Difficulty: Hard
Learning Objective: 5

61. (p. 10) Which of the following is a major function of the strategic management model?

- A. It helps make profits for the firm
- B. It helps in identifying key issues faced by the firm
- C. It helps in deciding which products to sell
- D.** It depicts the sequence and relationships of the major components of the strategic management process

Difficulty: Medium
Learning Objective: 5

62. (p. 12) Social responsibility is a critical consideration for a company's strategic decision makers since
- A. Stockholders demand it
 - B. The mission statement must express how the company intends to contribute to the societies that sustain it**
 - C. It increases a company's profits
 - D. It helps make decisions

Difficulty: Medium
Learning Objective: 5

63. (p. 12) Analysis of the quantity and quality of the company's financial, human and physical resources is a part of
- A. Internal analysis**
 - B. Mission statement
 - C. External environment analysis
 - D. Corporate goals

Difficulty: Easy
Learning Objective: 5

64. (p. 12) The external environment consists of:
- A. The operating environment**
 - B. Managers
 - C. Employees
 - D. Owners

Difficulty: Easy
Learning Objective: 5

65. (p. 12) Which one of the following is NOT an interactive segment of a firm's external environment?
- A. Functional**
 - B. Remote
 - C. Industry
 - D. Operating

Difficulty: Medium
Learning Objective: 5

66. (p. 11) Description of the company's product, market and technological areas of emphasis is contained in the

- A. Assessment of the external environment
- B. Company profile
- C. Company mission**
- D. Interactive opportunity analysis

Difficulty: Easy
Learning Objective: 5

67. (p. 12) The results that an organization seeks over a multiyear period are its

- A. Generic strategies
- B. Grand strategies
- C. Mission statements
- D. Long-term objectives**

Difficulty: Easy
Learning Objective: 5

68. (p. 12) The doubling of EPS within 5 years with increases in each intervening year is called a(n):

- A. Long-term goal
- B. Long-term objective**
- C. Short-term goal
- D. Short-term objective

Difficulty: Hard
Learning Objective: 5

69. (p. 12-13) The difference between long-term and short-term objectives is principally:

- A. Greater attainability
- B. Greater flexibility
- C. Greater measurability
- D. Greater specificity**

Difficulty: Hard
Learning Objective: 5

70. (p. 13) Grand strategies include:

- A. Market turnaround
- B. Vertical diversification
- C. Conglomerate integration
- D.** Concentric diversification

Difficulty: Medium
Learning Objective: 5

71. (p. 13) Which of the following is an example of a grand strategy?

- A. Decentralization
- B. Policy making
- C. Conglomerate integration
- D.** Innovation

Difficulty: Hard
Learning Objective: 5

72. (p. 12) Long-term objectives are principally attained through:

- A. Annual goals
- B. Functional strategies
- C. Short-term goals
- D.** Grand strategy

Difficulty: Hard
Learning Objective: 5

73. (p. 14) The minimum equity position required for all new McDonald's franchises is an example of:

- A. A goal
- B. A procedure
- C.** A policy
- D. An objective

Difficulty: Medium
Learning Objective: 5

74. (p. 12) The general plan of major actions through which a firm intends to achieve is long-term objectives is called its:

- A. Corporate plan
- B. Long-term goal
- C.** Grand strategy
- D. Mission

Difficulty: Easy
Learning Objective: 5

75. (p. 14) Broad, precedent-setting decisions that guide or substitute for repetitive or time-sensitive managerial decision making are called

- A. Goals
- B. Strategies
- C. Objectives
- D.** Policies

Difficulty: Easy
Learning Objective: 5

76. (p. 12) Which of the following is a generic strategy option?

- A. Narrow margins
- B. Diversification
- C.** Differentiation
- D. Retrenchment

Difficulty: Medium
Learning Objective: 5

77. (p. 13) Horizontal integration is an example of a

- A. Generic strategy
- B.** Grand strategy
- C. Functional level strategy
- D. SBU strategy

Difficulty: Hard
Learning Objective: 5

78. (p. 14) Specific actions that need to be undertaken to achieve short-term objectives, usually by functional areas, refers to

- A. Policies
- B. Formality
- C.** Tactics
- D. Process

Difficulty: Easy
Learning Objective: 5

79. (p. 14) Which of these refers to short-term, narrow scoped plans that detail "means" or activities that a company will use to achieve short-term projects?

- A. Policies
- B. Formality
- C. Vision
- D.** Functional tactics

Difficulty: Easy
Learning Objective: 5

80. (p. 14) _____ is a critical stage in strategy implementation wherein managers attempt to recast their organization.

- A. Continuous improvement
- B.** Reengineering
- C. Strategic control
- D. Strategy formulation

Difficulty: Medium
Learning Objective: 5

81. (p. 15) _____ is concerned with tracking a strategy as it is being implemented, detecting problems or changes in its underlying premises and making necessary adjustments.

- A. Restructuring strategy
- B.** Strategic control
- C. Internal analysis
- D. Functional tactics

Difficulty: Easy
Learning Objective: 5

82. (p. 15) Which of these is a form of strategic control in which managers are encouraged to be proactive in improving all operations of the firm?

- A.** Continuous improvement
- B. Adaptive mode
- C. Functional tactics
- D. Planning mode

Difficulty: Easy
Learning Objective: 5

83. (p. 15) A flow of information through interrelated stages of analysis toward achievement of an aim is:

- A.** A process
- B. A procedure
- C. A policy
- D. A system

Difficulty: Easy
Learning Objective: 5

84. (p. 15) Influential individuals and groups that are vitally interested in the actions of the business are called

- A. Stockholders
- B.** Stakeholders
- C. Strategists
- D. Customers

Difficulty: Easy
Learning Objective: 5

85. (p. 15) Strategic formulation and implementation of a plan are:

- A.** Sequential
- B. Simultaneous
- C. Random
- D. Reversible

Difficulty: Medium
Learning Objective: 5

86. (p. 17) Strategic management processes need which of the following to enhance future decision making?

- A. Testing
- B.** Feedback
- C. Discontinuity
- D. Projecting

Difficulty: Hard
Learning Objective: 5

87. (p. 17) The strategy management process is:

- A. Stationary
- B. Dynamic**
- C. Static
- D. Radical

Difficulty: Hard
Learning Objective: 6

Essay Questions

88. Define strategic management. Identify any five of the nine critical tasks of strategic management?

Please refer to discussion on "The Nature and Value of Strategic Management" on page 3.

Learning Objective: 1

89. Strategic issues have several key dimensions. Briefly describe any four of them?

Please refer to the discussion on "Dimensions of Strategic Decisions" on pages 4-6.

Learning Objective: 2

90. Describe the three levels of strategy in an organization. Provide an example of each?

Please refer to the discussion on "Three levels of Strategy" on pages 6-7.

Learning Objective: 4

91. With regards to the levels of strategy, compare and contrast single-business firms versus multiple-business firms?

Please refer to Exhibit 1.4 on page 7.

Learning Objective: 4

92. How do the characteristics of strategic management decisions vary with the level of strategic activity considered?

Please refer to the discussion in the section titled “Characteristics of Strategic Management Decisions” on pages 7-8.

Learning Objective: 4

93. What is meant by “formality” in strategic management? What forces determine how much formality is needed in strategic management?

Please refer to the discussion in the section “Formality in Strategic Management” on page 8.

Learning Objective: 4

94. Describe the three different modes of formality, according to Mintzberg?

Please refer to discussion on "Formality in Strategic Management" on pages 8-9.

Learning Objective: 4

95. Who are the strategy makers in an organization?

Please refer to the discussion in the section titled “The Strategy Makers” on pages 9-10.

Learning Objective: 4

96. Discuss the benefits of strategic management?

Please refer to the discussion on "Benefits of Strategic Management" on page 10.

Learning Objective: 5

97. Define and briefly describe any five components of the strategic management model?

Please refer to the discussion on "Components of the Strategic management Model" on pages 11-15.

Learning Objective: 5

98. Differentiate between generic and grand strategies?

Please refer to the discussion on "Generic and Grand Strategies" on pages 12-13.

Learning Objective: 5

99. Define strategic control. Give an example of strategic control from a managerial perspective?

Please refer to the discussion on "Strategic Control and Continuous Improvement" on page 15.

Learning Objective: 5

100. What implications can be drawn from viewing strategic management as a process? Explain?

Please refer to the discussion on "Strategic Management as a Process" on page 15-16.

Learning Objective: 6