Chapter 2: Strategic Objectives

TRUE/FALSE

1. An objective is a short-term target or milestone with defined measureable achievements.

   ANS: T PTS: 1

2. The labels a firm uses for its written statements of strategic direction are just as important as the elements they contain.

   ANS: F PTS: 1

3. Organizations can set whatever objectives they please, unconstrained by the pressures external stakeholders may exert.

   ANS: F PTS: 1

4. An objective can be a desired state or hoped-for level of success.

   ANS: T PTS: 1

5. Emergent strategies tend to have measureable objectives attached to them.

   ANS: F PTS: 1

6. It is not necessary for strategic objectives to be understood by all managers.

   ANS: F PTS: 1

7. When pursuing an incremental strategy approach objectives may change from those established and made explicit sometime in the past.

   ANS: T PTS: 1

8. It has been suggested that the business definition question should include not only “What is our business?” but also “What *was* our business?”

   ANS: F PTS: 1

9. Objectives make the general direction of the organization concrete and achievable.

   ANS: T PTS: 1

10. Many organizations begin with a very broad business definition and then cut it back as the years progress.

    ANS: F PTS: 1

11. Judgment is the capability of making successful decisions when no obviously correct model or rule is available or when relevant data are unreliable or incomplete.

ANS: T PTS: 1

12. Strategic decisions are different from other types of decisions because they are easily made using past history and experience; strategic decisions become routinized over a period of time.

ANS: F PTS: 1

13. Strategic objectives, rather than the challenges of an organization's vision, can motivate managers in their day-to-day activities.

ANS: F PTS: 1

14. Strategic decisions typically involve the commitment of significant resources and are not easily reversed.

ANS: T PTS: 1

15. Studies have consistently shown that significant differences of opinion exist among senior-level executives about both strategic goals and the means to accomplish them.

ANS: T PTS: 1

16. Senior managers can devolve responsibility for communicating strategic objectives.

ANS: F PTS: 1

17. Each division and business unit must have goals consistent with the overarching corporate objectives.

ANS: T PTS: 1

18. Consistency of organizational objectives, strategies and goals is not always necessary.

ANS: F PTS: 1

19. Western firms tend to focus on relatively short-term profits and shorter planning horizons.

ANS: T PTS: 1

20. In emergent strategies objectives may exist but may be implicit rather than explicit.

ANS: T PTS: 1

21. Objectives establish direction but never include specific end points.

ANS: F PTS: 1

22. A change in objectives is likely to result in changes of strategy.

ANS: T PTS: 1

23. The business model provides an explanation of an organization's 'recipe for success'.

ANS: T PTS: 1

24. An organization's business model is irrelevant when it is considering its strategy.

ANS: F PTS: 1

25. An organization's purpose must be translated into a set of primary objectives, called 'strategic objectives'.

ANS: T PTS: 1

MULTIPLE CHOICE

1. Strategic objectives are a characteristic of:
   a. Emergent strategy
   b. Planned strategy
   c. Realised strategy
   d. Competitive strategy

   ANS: B PTS: 1

2. Strategic direction is reflected by:
   a. The organization's purpose
   b. The business model
   c. The organization's vision
   d. All of the above

   ANS: D PTS: 1

3. Factors that influence strategic direction include all of the following *except*:
   a. Social trends
   b. Economic influences
   c. Competitors
   d. All of the above

   ANS: D PTS: 1

4. Which of the following is **not** a characteristic that distinguishes strategic decisions from other kinds of decisions?
   a. Strategic decisions are ill-structured and non-routine
   b. Strategic decisions may not be linked with the success or failure of an organization
   c. Strategic decisions involve a significant commitment of resources
   d. Strategic decisions are difficult to reverse both economically and politically

   ANS: B PTS: 1

5. The balanced scorecard (Kaplan and Norton) is an approach that:
   a. Focuses solely on financial objectives
   b. Is associated with marketing
   c. Seeks to integrate financial and strategic objectives
   d. Examines non-critical activity

   ANS: C PTS: 1

6. In Kaplan and Norton's terms a *lagged measure* is:
   a. An obsolete measure
   b. A measure of past progress
   c. A measure that focuses on future activity
   d. A measure of the performance of competitors

   ANS: B PTS: 1

7. In Kaplan and Norton's terms a *lead measure* is:

a. leading the race to be measured
b. A measure of past progress
c. A measure that focuses on future activity
d. A measure of supplier performance

ANS: C PTS: 1

8. Objective setting in the public and not-for-profit sectors will be different because:
a. Quantitative measures could obscure more appropriate qualitative indicators
b. These organizations do not achieve objectives
c. They are not in competitive environments
d. Managers resist any attempt to work towards objectives

ANS: A PTS: 1

9. Strategic intent is:
a. What the organization has historically achieved
b. How the organization will achieve its mission
c. How customers and suppliers will be partnered
d. A very ambitious and seemingly unrealistic long-term organizational goal used by Japanese firms

ANS: D PTS: 1

10. At an operational level objectives are often referred to as **________** and corporate objectives are sometimes called ________:
a. Carrots *and* sticks
b. Imposed *and* optional
c. Targets *and* goals
d. Milestones *and* markers

ANS: C PTS: 1

11. It is important that objectives avoid:
a. Being meaningless to those they are intended to influence
b. Being inconsistent with other existing objectives
c. Being the pet objectives of powerful figures in the organization
d. All of the above

ANS: D PTS: 1

12. Critical success factors (CSFs):
a. Identify which suppliers will be worked with
b. Are the factors that primarily account for an organization's success in achieving its strategic purpose
c. Relate to functional performance
d. Are continuously changing

ANS: B PTS: 1

13. Critical success factors (CSFs) are a function of:
a. The structure of a particular industry
b. Competitive strategy, industry position and geography
c. Environmental factors and temporal factors
d. All of the above

ANS: D PTS: 1

14. Key performance indicators (KPIs) are:
a. The same as CSFs
c. Lower level incremental targets

b. Unrelated to CSFs
d. Determined by competitor activity

ANS: C PTS: 1

15. Within the balanced scorecard approach each objective has its associated:
a. Set of measures
b. Own reporting protocol
c. Advantages and disadvantages
d. Improvement indices

ANS: A PTS: 1

16. The four perspectives of the balanced scorecard include a financial perspective, a customer perspective, an internal business processes perspective, and:
a. A marketing and brand perspective
b. A communications perspective
c. A learning and growth perspective
d. None of the above

ANS: C PTS: 1

17. Which of the following would typically be measurement indices for an objective that identified motivating people and developing competencies?
a. Recruitment and retention rate
b. Skills and training index
c. Employee conditions and satisfaction index
d. All of the above

ANS: D PTS: 1

18. A strategy map:
a. Tells you where the organization is headed
b. Explores possible cause-and-effect relationships and the associated CSFs
c. Is an industry analysis
d. Explores the location of strategic groups

ANS: B PTS: 1

19. A strategy map helps organizations to:
a. Locate possible external partners
b. Evaluate the basic assumptions for choosing certain objectives and measures
c. Link the far and near external analyses
d. Identify resources and capabilities

ANS: B PTS: 1

20. For strategic thinking the strategy map can:
a. Clarify immediate goals
b. Help generate creativity and innovation
c. Provide a broader canvas for senior managers to construct CSFs
d. Identify customers and suppliers

ANS: C PTS: 1

21. A strategy map is used to:
a. Document the CSFs in terms of the possible cause-and-effect linkages between the perspectives and the objectives
b. Identify which suppliers are key and need to be partnered
c. Demonstrate the linkages between resources and capabilities
d. Reduce CSFs down to a manageable number

ANS: A PTS: 1

22. What is the most common problem organizations encounter when using the balanced scorecard?
    a. Its perspectives and measures are ignored by middle managers
    b. Its purpose is communicated poorly leading to confusion
    c. It misrepresents what is important to the organization
    d. A proliferation of objectives and measures become too numerous to manage

    ANS: D PTS: 1

23. Long-term objectives relate to:
    a. The desired performance over five years into the future
    b. The desired performance at some undefined period into the future
    c. The desired performance and results on an on-going basis
    d. The desired performance over the next two to three years

    ANS: C PTS: 1

24. Short-term objectives relate to:
    a. Near-term performance targets.
    b. Performance over the next twelve months.
    c. Financial targets only
    d. Aspects of performance unrelated to long-term objectives

    ANS: A PTS: 1

25. How many objectives and measures are recommended for strategic scorecards to be effective?
    a. 24 objectives and 8 measures
    b. 8 objectives and 24 measures
    c. 2 objectives and 6 measures
    d. 6 objectives and 6 measures

    ANS: B PTS: 1

SHORT ANSWER

1. What must a full consideration of objectives incorporate?

   ANS:
   • An appreciation of the objectives that the organization is actually pursuing and achieving – where it is going and why.
   • The objectives that it might pursue, and the freedom and opportunity it has to make changes.
   • Specific objectives for the future.

   PTS: 1

2. What considerations must organizations in the public or not-for-profit sectors make when deciding upon strategic objectives?

   ANS:
   • Importance of stakeholders, particularly those who are providers of financial support.
   • There will be a number of potentially conflicting objectives, and quite typically the financial ones will not be seen as the most essential in terms of the mission.
   • While it is likely there will be a mix of quantitative and qualitative objectives, the former will be easier to measure, although the latter relate more closely to the mission of the organization.

• Because of the above, the efficient use of resources becomes an important objective.

PTS: 1

3. What four fundamental questions does the balanced scorecard encourage organizations to address?

ANS:
• To succeed financially, how should we appear to our shareholders?
• To achieve our vision, how should we appear to our customers?
• To satisfy our shareholders and customers, what business processes must we excel at?
• To achieve our vision, how will we sustain our ability to change and improve?

PTS: 1

4. Give an example of an objective for each of the four perspectives of the balanced scorecard.

ANS:
• Financial perspective. To maximize financial returns to the owners of an organization's capital.
• Customers perspective. To sustain customer relationships.
• Internal processes perspective. To create and maximise value in the customer-vendor relationship.
• Learning and growth perspective. To motivate people and develop competences.

PTS: 1

5. What is the four-part process Kaplan and Norton advise managers use to ensure the balanced scorecard is utilised effectively?

ANS:
• Agree the scorecard's objectives and measures.
• Communicate the scorecard and work towards aligning the organization's management controls systems with it.
• Use the scorecard for identifying strategic initiatives and the development of mid-term plans
• Draw from the strategic feedback the model stimulates to foster organizational learning.

PTS: 1

6. How should organizations overcome the problem of having too many objectives and measures to manage when using the balanced scorecard?

ANS:
• Avoid the temptation of allowing newcomers to the approach to create their own measures from a larger number of existing measures.
• Make sure that the objectives and measures included are truly strategic and not operational.
• Avoid the trap of only measuring that which is easiest to measure, as these activities may not necessarily be the most important.
• Typically, specific indicators for diagnostic control will be better to focus on than those that only reveal something of the broader and more general strategic picture.

PTS: 1

7. What are the four basic approaches related to the positioning element of the business model?

ANS:
• A narrow product (or service) range for a broad range of customers.
• A broad product range for a defined segment of the market.
• A narrow range for a targeted niche.
• A broad range for a wide market.

PTS: 1

8. Give three examples of the kind of new business models emerging as a result of the opportunities new economies hold?

ANS:
• Consolidation in the small and medium-sized enterprises (SME) sector as large organizations grow bigger by systematically absorbing a series of small (and sometimes local) businesses. Examples include funeral services and Hanson, the UK-based aggregates business which o operates mainly in the US and UK.
• Throwaway varieties of such products as watches and cameras.
• Individual customizing. Collector's editions of the ubiquitous Barbie doll appeal to certain enthusiasts and command a premium price.

PTS: 1

9. Explain the distinction Kaplan and Norton make between strategic objectives and measures, and diagnostic objectives and measures.

ANS:
• Strategic objectives and measures deal with the CSFs for an organization's vision.
• A strategic scorecard is limited to strategic objectives.
• Diagnostic objectives monitor the health of the organization to ensure it remains fit for purpose.
• Senior managers are proactively involved with strategic objectives, but become involved with diagnostic by exception, when their intervention is required.

PTS: 1

10. How could the Balanced Scorecard be interpreted to serve not-for-profit or public sector organizations, what would be the perspectives and objectives?

ANS:
• Financial perspective – To keep service costs under control and deliver value for money.
• Service user/stakeholder (customer) perspective – To understand how they view the service. And, to what extent have stakeholders contributed.
• Operational excellence (internal processes) perspective – To monitor the effectiveness of its processes and staff. And, are staff satisfied?
• Innovation and learning (learning and growth) perspective – To be continually improving and learning from others.
• The overall strategic objective is to meet its key performance outcomes.

PTS: 1

PROBLEM

1. What are the ten deadly sins of objective management?

ANS:
• Too many objectives. Sub-objectives can easily emerge and need to be contained.
• Meaningless objectives for those who must manage them. Without relevance there is no motivation.
• Useless objectives. It must be possible to review objectives and learn from the experience of using them.
• Old objectives. Objectives should not be based on tradition, convention, or anything else that is distant from the real issues that require resolution.
• Myopic objectives. It should always be clear how objectives fit into the broader context: backwards to the overall strategic objectives, and forwards to the value received by the customer.
• Insular objectives. Objectives should be managed during their implementation to take account of the objectives and plans of everybody affected by them.
• Inconsistent objectives. Objectives should work synergistically and not against each other.
• Pet objectives. Based on vested interest, individual (career) favoured projects, or on only partial functional and sectional needs.
• Non-agreed objectives. In developing objectives the potential contributions of third parties, and the possible effects on others of the plans should be agreed in principle before implementation.
• Complex objectives. Objectives should be kept as simple as possible.

PTS: 1

2. For each of Kaplan and Norton's four perspectives what measurement indices could be applied?

ANS:
• Financial perspective – Return on capital employed
• Financial perspective – Payments such as dividends to owners
• Financial perspective – Cash flow
• Customer perspective – Customer satisfaction and delight index
• Customer perspective – Repeat purchase patterns
• Customer perspective – Brand awareness in target segments
• Internal processes perspective – Value stream analysis (to minimize non-value creation activities) index
• Internal processes perspective – Value chain activities (co-ordination, optimization activities) index
• Internal processes perspective – Continuous improvement (innovation, change) index
• Learning and growth perspective – Recruitment and retention rates
• Learning and growth perspective – Skills and training index
• Learning and growth perspective – Employee conditions and satisfaction index

PTS: 1