

Student name: _____

TRUE/FALSE - Write 'T' if the statement is true and 'F' if the statement is false.

The success of Apple under its former CEO, Steve Jobs, was largely attributed to the quality of its leader. According to the text, this would be an example of the “romantic” perspective of leadership.

true

false

Strategic management consists of the analyses, decisions, and actions an organization undertakes in order to create and sustain competitive advantages.

true

false

Management innovations such as total quality, just-in-time, benchmarking, business process reengineering, and outsourcing are important but not enough for building sustainable competitive advantage.

true

false

Trade-off decisions between effectiveness and efficiency are important in the practice of strategic management.

true

false

According to the textbook, digitizing existing business processes rarely improves efficiency.

true

false

A company that digitizes existing processes may achieve operational excellence on an outdated value proposition. Airbnb is an example of a company that entered the market with a superior digital offering, competing against hotels that had only digitized processes.

true

false

According to Henry Mintzberg, a management scholar, most firms do *not* realize their original intended strategy.

true

false

The final realized strategy of a firm is a combination of deliberate and time-tested strategies only.

true

false

Strategy analysis is the study of only the big picture external environments of the firm.

true

false

All successful firms compete and outperform their rivals by developing bases for competitive advantage, which can be achieved only through cost leadership.

true

false

The three primary participants in corporate governance are: (1) the shareholders, (2) the management (led by the chief executive officer), and (3) the employees.

true

false

Decisions by boards of directors are always consistent with shareholder interests.

true

false

Ensuring effective corporate governance requires an effective and engaged board of directors, uninvolved shareholders, and proper managerial rewards and incentives.

true

false

The core mission of the board of directors is to provide strong oversight and strategic support for employee efforts to receive maximum financial and monetary equivalent benefits.

true

false

Social responsibility is the idea that organizations are only accountable to stockholders.

true

false

Shell, NEC, and Procter and Gamble have been measuring their performance according to what has been called a triple bottom line. This technique involves an assessment of financial, social, and environmental performance.

true

false

Sustainability is being increasingly recognized as a source of cost efficiencies and revenue growth.

true

false

Responsible investment approaches evaluate companies based on environmental, social, and growth criteria (ESG investment trend).

true

false

Focusing on the ESG criteria does not enhance corporate financial performance, because it does NOT benefit society or investors who support ESG funds.

true

false

Strategic management requires managers at all levels of the organization to take a segregated view of the organization.

true

false

The strategic management process should be addressed only by top-level executives. Mid-level and low-level employees are best equipped to implement the strategies of the organization.

true

false

Richard Branson, the founder of the Virgin Group, is well known for creating an inclusive organizational structure in which anybody in the organization can be involved in generating and acting on new business ideas.

true

false

Managers must create management processes to foster change. In the example of the filming of the movie *Gorillas in the Mist*, an intern suggested a way to save costs and the film director listened. This is an example of empowerment.

true

false

As Strategy Spotlight 1.3 indicates, one of the main reasons General Electric started failing in 2016 is because top managers did not listen to the early warning signals being reported by lower levels of the organization and did not take preventative action.

true

false

The vision of an organization is at the top level of its hierarchy of organizational goals. The vision statement should be massively inspiring, overarching, and long term.

true

false

Much research has supported the notion that individuals work much harder when they are asked to do their best rather than when they are striving toward a specific goal.

true

false

An idealistic vision can arouse employee enthusiasm and therefore is a good vision.

true

false

MULTIPLE CHOICE - Choose the one alternative that best completes the statement or answers the question.

The text addresses two perspectives of leadership as well as their implications. These two perspectives are

romantic and unromantic.

romantic and internal control.

romantic and external control.

external control and unromantic.

In the opening Learning from Mistakes case, in 2017 Luckin Coffee faced challenges from the external environment over which it had little control. Its primary competitor, Starbucks, was strongly entrenched in the Chinese marketplace and intended to continue growing there. By 2020, Luckin Coffee was delisted from the Nasdaq stock exchange. This resulting failure can be attributed largely to

Luckin Coffee CEO Qian's leadership.

Luckin Coffee products not appealing to the consumer.

Starbucks using shady business practices.

Chinese market not interested in coffee drinks.

When developments in the general environment, such as new technologies, or an outbreak of internal conflict occur, they can greatly restrict the choices that are available to company leaders. This is the _____ view of leadership.

external supply

internal control

external control

internal supply

Borders and Waldenbooks were quickly overtaken by Amazon, largely due to the shift from brick-and-mortar bookstores to online book buying. This exemplifies the _____ view of leadership.

romantic

financial

strategic

external control

In the Learning from Mistakes case discussion of Luckin Coffee, which view of leadership most accurately describes the reason it was eventually delisted from the Nasdaq stock exchange in June 2020?

romantic

external control

internal control

financial

When a CEO makes many mistakes in assessing the market and the competitive conditions and improperly redesigns the organization into numerous business units, these errors lead to significant performance declines. According to the text, this example illustrates the _____ perspective of leadership.

external control

romantic

internal mechanism

operational

According to the external control view of leadership, which of the following factors would *not* be considered an external factor that might positively or negatively affect a firm's success?

economic downturns

governmental legislation

outbreak of war

company employee morale

According to the text, the strategic management process entails three ongoing processes. They are

analyses, actions, and synthesis.

analyses, synthesis, and decisions.

analyses, evaluation, and critique.

analyses, decisions, and actions.

Management innovations such as total quality, benchmarking, and business process reengineering cannot lead to sustainable competitive advantage because

companies that have implemented these techniques have lost money.

there is no proof that these techniques work.

they cost too much money and effort to implement.

many companies are trying to implement them.

The organizational versus the individual rationality perspective suggests that objectives that are

good for a functional area are always good for the overall organization.

good for the overall organization are always best for a functional area.

best for a functional area may not be best for the overall organization.

best for one functional area will never be best for all functional areas.

The four key attributes of strategic management include the idea that strategy must

be directed toward overall organizational goals and objectives.

be focused only on long-term objectives.

be focused on only one specific area of an organization.

focus only on competitor strengths.

The four key attributes of strategic management include all of the following *except*

including multiple stakeholder interests in decision making.

incorporating both short-term and long-term perspectives.

recognizing the trade-offs between effectiveness and efficiency.

emphasis on the attainment of short-term objectives.

Effectiveness is often defined as

doing the right thing.

doing things right.

stakeholder satisfaction.

productivity enhancement.

In choosing to focus on stakeholders, which of the following will *not* lead to success for a manager?

shareholders and employees

employees and suppliers

customers and the community at large

customers only

In strategic management, both the short-term and long-term perspectives need to be considered because

shareholder value is only measured by short-term returns.

shareholders only care about long-term returns.

long-term vision precludes the analysis of present operating needs.

the creative tension between the two forces managers to develop more successful strategy.

Strategic management involves the recognition of trade-offs between effectiveness and cost.

value.

return on investment.

efficiency.

Digital technologies, when used to digitize existing businesses, can improve efficiency. Which of the following is an example of improved efficiency as a result of using digital technologies?

artificial intelligence used to automate repetitive data entry tasks

replacement of human heart with the heart of a pig

elimination of digital apps and replacement with brick-and-mortar solutions

replacement of 3D imaging with manual drawings

All the following are ambidextrous behaviors *except*

taking initiative and being alert to opportunities beyond the job description.

being cooperative and seeking opportunities to combine personal efforts with that of others.

intensely focusing on the responsibilities of one individual and maximizing the output of the department in the organization in which that individual works.

being brokers, always looking to build internal linkages.

Ambidextrous behaviors in individuals illustrate how a dual capacity for _____ can be woven into the fabric of an organization at the individual level.

alignment and adaptability

alignment and transparency

alignment and internal linkages

alignment and efficiency

The innovation paradox implies that consistency in products and services provokes a tension with the need for new products. This results in a conflict between

stability and change.

structure and culture.

rewards and metrics.

stability and metrics.

According to Henry Mintzberg, the final realized strategy of a firm is

a combination of deliberate and emergent strategies.

a combination of deliberate and differentiation strategies.

not deliberate.

a result of unrealized intended strategy.

_____ may be considered the advance work that must be done in order to effectively formulate and implement strategies.

Goal setting

Corporate entrepreneurship

Strategy analysis

Organizational design

Strategy analysis is the starting point of the strategic management process and consists of the analysis only of the vision, mission, and objectives of the firm.

analysis of the relevant internal and external environmental factors only.

analysis of relevant competitors only.

matching of vision, mission, and objectives with the relevant internal and external environmental factors.

Strategy formulation at the business level addresses best how to compete in a given business to attain competitive advantage.

to reduce costs.

to decrease buyer power.

to thwart entry of new rivals.

Corporate-level strategy focuses on what businesses to compete in and how business can be managed to achieve synergy.

how business can be managed to reduce synergy.

how the firm can work as a stand-alone entity.

how the firm can create more value by operating alone.

Corporate-level strategy looks at how to manage the _____ of its businesses to create synergies.

market pricing

stock prices

competitors

portfolio

Entering foreign markets requires firms to ascertain foremost how they will attain

market share.

competitive advantage.

low costs.

low returns on investment.

New value creation is a major engine for economic growth and is the main focus of _____ strategy.

portfolio

corporate-level

business-level

entrepreneurial

Two types of strategic control that firms must exercise for good strategy implementation are _____ and _____.

informational; confrontational

informational; behavioral

behavioral; financial

confrontational; behavioral

Effective organizational design means that firms must have _____ and _____ that are consistent with their strategy.

designs; plans

adopters; plans

adopters; designs

organizational structures; designs

Learning organizations permit the entire organization to benefit from _____ and _____ talents.

internal; external

external; individual

individual; collective

internal; collective

Effective leaders set a direction and develop an organization so that it is committed to excellence and _____ behavior.

performant

strategic

ethical

positive

Strategies should be formulated that enhance foremost the _____ capacity of a firm.

innovative

learning

implementation

business-level

Strategy implementation can be the most difficult part of the strategic management process. Which of the following is *not* likely to be a cause of implementation failure?

leadership

competition

coordination and integration of activities within and outside of the firm
organizational commitment to excellence

In the interview with Usman Ghani, Chairman of ConfluCore, he finds that key attributes of successful strategies include all but which of the following?

Considered strategic processes are applied.

Strategies display systematic adaptability.

Customer offerings are effectively differentiated by the organizations.

To ensure that customer offerings are differentiated, management need not be assessed regularly.

The three participants in corporate governance are the shareholders,
board of directors, and employees.

labor unions, and employees.

board of directors, and management.

banks and lending institutions, and management.

While working to prioritize and fulfill their responsibilities, members of the board of directors of an organization should

represent their own interests.

represent the interests of the shareholders.

direct all actions of the CEO.

emphasize the importance of short-term goals.

Members of boards of directors are

appointed by the Securities and Exchange Commission.

elected by the shareholders as their representatives.

elected by the public.

only allowed to serve one term of four years.

An organization is responsible to many different entities. In order to meet the demands of these groups, organizations must participate in stakeholder management. Stakeholder management means that

interests of the stockholders are not the only interests that matter.

stakeholders are second in importance to the stockholders.

stakeholders and managers inevitably work at cross-purposes.

all stakeholders receive financial rewards.

Stakeholders are

a new way to describe stockholders.

individuals, groups, and organizations who have a stake in the success of the organization.

creditors who hold a lien on the assets of the organization.

attorneys and their clients who sue the organization.

Procter and Gamble has perfected a technique for compacting cleaning powder into a liquid concentration. Consumers, retailers, shipping and wholesalers, and environmentalists all have benefited from the resulting change in consumer shopping habits and the revolution in industry supply-chain economics. According to the text, this is an example of

zero-sum relationship among stakeholders.

stakeholder symbiosis.

rewarding stakeholders.

emphasizing financial returns.

There are several perspectives of competition. One perspective is zero-sum thinking. Zero-sum thinking means that

all parts of the organization gain at no loss.

in order for someone to gain others must experience no gain or benefit.

everyone in the organization shares gains and losses equally.

one can only gain at the expense of someone else.

Managers should do more than focus on short-term financial performance. One concept that helps managers do this is stakeholder symbiosis. This means that

stakeholders look out for their individual interests.

stakeholders are dependent on each other for their success.

one can only gain at the expense of someone else.

all stakeholders want to maximize shareholder returns.

Employee stakeholders are concerned with

wages, benefits, and job security.

taxes, warranties, and regulations.

good citizenship behavior.

dividends.

Stockholders as a stakeholder group are interested primarily in

payment of interest and repayment of principal.

dividends and capital appreciation.

value and warranties

taxes and compliance with regulations.

Supplier stakeholders are concerned with

capital appreciation.

employee benefits.

safe working conditions.

assurance of a continued relationship with the firm.

Community stakeholders are concerned primarily with

product warranties.

corporate citizenship behavior.

capital appreciation.

repayment of principal.

Firms must be aware of goals other than short-term profit maximization. One area of concern should be social responsibility, which is the

idea that businesses are responsible for maintaining a healthy social climate for their employees.

idea that organizations are solely responsible to local citizens.

fact that court costs could impact the financial bottom line.

expectation that business will strive to improve the overall welfare of society.

According to the text, the triple bottom line approach to corporate accounting includes which three components?

financial, environmental, and customer

financial, organizational, and customer

financial, environmental, and social

financial, organizational, and psychological

A key stakeholder group that is particularly susceptible to corporate social responsibility (CSR) initiatives is

suppliers.

consumers.

government agencies.

rivals.

According to the corporate citizenship poll conducted by Cone Communications, most Americans say they would be likely to switch brands to one associated with a good cause, if there are similarities between _____ and _____.

price; availability

price; quality

availability; quality

price; durability

According to a CEO survey by Accenture, _____ and _____ are not mutually exclusive corporate goals.

sustainability; profitability

quality; profitability

ROI; quality

availability; ROI

Responsible investment approaches evaluate companies based on _____, _____, and _____ criteria (ESG).

environmental; social; growth

external; social; growth

environmental; strategic; growth

environmental; social; governance

Focusing on ESG criteria can enhance corporate financial performance. This, in turn, can benefit _____, _____, and _____.

society, environment, ESG fund investors

competitors, environment, consumers

competitors, environment, ESG fund investors

society, global competitors, stakeholders

The ROI on sustainability efforts can be difficult to quantify because an excess of necessary data for accurate calculation is readily available.

benefits from such projects are tangible.

the payback period is on the same time frame.

the payback period is on a different time frame.

Sustainability programs often find their success beyond company boundaries, thus _____ systems and _____ metrics cannot capture all of the relevant numbers.

external; bio

internal; internal

external; external

internal; process

Traditional financial models are built around relatively easy-to-measure, monetized results; whereas the benefits of sustainability projects involve

clear tangibles.

fuzzy intangibles.

fuzzy tangibles.

clear intangibles.

The case for sustainability projects needs to be made on the basis of a more holistic and comprehensive understanding of all the _____ and _____ benefits.

measurable; physical

tangible; intangible

financial; physical

measurable; unmeasurable

Some benefits of sustainability projects include

reducing risks.

lagging behind regulations.

displeasing communities.

ignoring employee morale.

ESG funds in the United States state that they invest in ethical firms and projects. In Europe ESG funds assure substantial compliance with the ideas of ESG investing by

measuring the return on investment.

detailing how the fund addresses stakeholder expectations of return on investment.

describing exactly how the fund addresses the social and environmental issues.

monitoring the size of the investment fund.

Many organizations have a large number of functional areas with very diverse and sometimes competing interests. Such organizations will be most effective if

each functional area focuses on achieving their own goals.

goals are defined at the bottom and implemented at the top.

management and employees have separate goals.

functional areas work together to attain overall goals.

Strategy formulation and implementation is a challenging ongoing process. To be effective, it should *not* involve

the CEO and the board of directors.

the board of directors, CEO, and CFO.

rivals.

line and staff managers.

The text argues that a strategic perspective in an organization should be emphasized

at the top of the organization.

throughout the organization.

at the middle of the organization.

from the bottom up.

Peter Senge, of MIT, recognized three types of leaders. _____ are individuals that, although having little positional power and formal authority, generate their power through the conviction and clarity of their ideas.

Local line leaders

Executive leaders

Internal networkers

Shop floor leaders

Peter Senge, of MIT, recognized three types of leaders. Which of the following describes individuals who champion and guide ideas, create learning infrastructure, and establish a domain for taking action?

local line leaders

executive leaders

internal networkers

shop floor leaders

Leadership is a necessary (but not sufficient) condition for organizational success. Leaders should emerge at which level(s) of an organization?

throughout the organization

in the middle

only at the top

only during times of change

Local line leaders have _____ responsibility.

local

executive

no

profit-and-loss

Internal networks generate their power through the _____ and _____ of their ideas.

validity; correctness

conviction; clarity

validation; recognition

approval; awareness

Executive leaders champion and guide ideas by

reinforcing ideas that did not work.

increasing their personal power.

validating their formal authority.

creating a learning infrastructure.

Richard Branson, founder of the Virgin Group, empowers his companies through a(n) _____ structure in which anyone can bring forth new ideas.

formal

hierarchal

multi-level

informal

To inculcate a strategic management perspective, managers must create management _____ to foster change.

processes

buy-back

structures

edicts

Netflix inculcates a strategic management perspective by emphasizing transparency.

creating an environment of non-sharing.

obliging a top-down management style.

training only high potential employees.

For strategic management to be effective in achieving organizational goals, people throughout the organization must work in isolation.

top managers only take an integrative, strategic perspective.

leaders alone are responsible for the organizational outcome.

people throughout the organization must strive toward overall goals.

Richard Branson of the Virgin Group believes that the _____ of a person should not dictate the level of influence their ideas should be accorded.

age

seniority

position

education

In the 1.3 Strategy Spotlight regarding performance problems at General Electric, which of the following contributed significantly to the downfall of GE and eventually saw it split into three companies?

Top executives presented gloomy sales statistics.

Low-level executives were overpaid.

Top-level executives encouraged top-down and bottom-up communication.

Top-level executives ignored lower-level executive poor performance warnings.

The hierarchy of organizational goals is in the following order (least specific to most specific):

vision statements, strategic objectives, mission statements.

vision statements, mission statements, strategic objectives.

mission statements, strategic objectives, vision statements.

mission statements, vision statements, strategic objectives.

Vision statements are used to create a better understanding of the overall _____ and _____ of the organization. Vision statements are massively inspiring.

logic; wealth

outcomes; objectives

purpose; direction

impact; structure

Effective vision statements include

all strategic directions of the organization.

a brief statement of the company's direction.

strategic posturing and future objectives.

financial objectives and projected figures.

WellPoint Health Network states: WellPoint will redefine our industry through a new generation of consumer-friendly products that put individuals back in control of their future. This is an example of a

strategic objective.

vision statement.

vague statement of direction.

line manager's individual goal.

Although such visions cannot be accurately measured by a specific indicator of how well they are being achieved, they do provide a fundamental statement of the _____ of an organization.

outstanding debt

expected returns and limitations

values, aspirations, and goals

credibility

In contrast to the vision of an organization, its mission should

be shorter in length.

encompass all the major rules and regulations of the corporate work force.

encompass both the purpose of the company as well as the basis of competition.

be less detailed.

The vision and mission statements of a company set the overall direction of the organization.

Strategic objectives serve what role?

operationalize the mission statement

modify the mission statement

are a shorter version of the mission statement

are only clarified by the board of directors

Successful organizations are effective in motivating people. Employees work best when

they are asked to do their best.

work requirements are vague and unclear.

they are striving toward specific goals.

they are guided by an abstract mission statement.

Fortune Brands states they will cut corporate overhead costs by \$30 million a year. This is an example of a

nonfinancial strategic objective.

financial strategic objective.

vision statement.

mission statement.

Our goal is to help save 100,000 more lives each year. (Varian Medical Systems) This is an example of a

nonfinancial strategic objective.

financial strategic objective.

vision statement.

mission statement.

In large organizations, conflicts can arise between functional areas. In order to resolve these conflicts, strategic objectives

put financial objectives above human considerations.

align departments toward departmental goals.

help resolve conflicts through their common purpose.

cause debate and increase conflict.

Which of the following is *not* an example of a financial strategic objective?

Increase sales growth 6 percent to 8 percent and accelerate core net earnings growth from 13 percent to 15 percent per share in each of the next 5 years. (Procter & Gamble)

Reduce volatile air emissions 15 percent by 2015 from 2010 base year, indexed to net sales. (3M)

Generate Internet-related revenue of \$1.5 billion. (AutoNation)

Cut corporate overhead costs by \$30 million per year. (Fortune Brands)

In large organizations, the potential exists for different parts of an organization to pursue its own goals rather than the overall company goals. Proper _____ can help to resolve conflicts when they arise.

mission statements

vision statements

organization structure

objectives

What is the overall purpose of a corporation?

to maximize the long-term return to the shareholders

to maximize the short-term return to the shareholders

to maximize the long-term return to all the stakeholders

to maximize the short-term return to all the stakeholders

Boards of directors (BOD) as elected representatives of the shareholders are charged with ensuring that the interests and motives of management are aligned with those of the owners.

Which one of the following is *not* part of their general practices?

Follow guidelines on the selection of director candidates.

Follow guidelines to ensure that its members are independent.

Provide detailed procedures for formal evaluations of directors and top officers of the firm.

Refrain from strategic support for management efforts to create long-term value.

Which of the following is *not* an internal control that ensures effective corporation governance?

proper managerial rewards and incentives

threat of hostile takeovers

shareholder activism

an effective and engaged board of directors

Effective mission statements incorporate the concept of stakeholder management. This suggests that organizations must respond to multiple primary internal constituencies such as all the following *except*

customers.

suppliers.

competitors.

employees.

Which of the following is *not* a reason that would make calculating return on investment (ROI) on sustainability projects difficult?

The payback period is on a different time frame.

Many of the benefits from such projects are tangible and easily measured.

The data necessary to calculate accurate ROI in sustainability projects is frequently not available.

Many of the benefits of sustainability projects are intangible and not easily measured.

SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.

Using Apple, Alphabet, or Microsoft, explain how strategic management has led the company to industry dominance. Discuss the vision/mission of the company, its corporate objectives, and the leadership qualities that support this company's strategy. Be sure to use specific numerical outcomes as proof of your evaluation.

Do corporate mission statements really matter? Justify your response with concrete industry examples.

Explain how corporate governance mechanisms are used in the strategic management process. Illustrate the role of each stakeholder with industry examples.

Why do organizations need three types of leaders (local line leaders, executive leaders, internal networkers)? Use industry examples to support your answer.

Strategic coherence is an essential element for assuring that a company's mission/vision is realized. Describe the factors that are involved in creating strategic coherence. Use an industry example to support your description and explain how the objectives meet the SMART criteria (Specific, Measurable, Appropriate, Realistic, Timely).

Analyze why the authors believe that sustainable competitive advantage cannot be achieved through operational effectiveness alone. What other factors must be considered, in your opinion?

If a proposed new project is showing a positive net present value (NPV) but will reduce earnings for the current quarter, should long-term or short-term strategy perspective take priority?

Analyze how climate change might alter a company's intended strategy. Provide a concrete example of the current consequences of climate change in a real company today.

Support this statement with concrete examples from the current business world: Analyzing the environment and formulating strategies are important activities in the strategic management process; however, nothing happens until resources are allocated and effective strategies are implemented.

By focusing solely on the interests of the executives to create short-term profits, businesses often will make poor decisions that lead to negative, unanticipated outcomes. Analyze this statement and provide examples of management decisions to create shareholder value that have led to negative outcomes for the firm and/or other of its stakeholders.

Are sustainability and profitability mutually exclusive corporate goals? Support your analysis with examples from the corporate world.

According to Spotlight 1.2, how can investors in ESG funds select the best fund that aligns with their personal values?

Why are existing hurdle rates for investment projects not necessarily appropriate for sustainability projects? What are some of the alternative choices? Demonstrate your solutions with concrete examples.

General Electric lost its most valuable company in the U.S. status in the period 2016–2020 and decided to split into three companies. Could this loss of status have been avoided? Explain your reasoning in terms of leadership, empowerment, and communication.

Why should executives communicate their long-term thinking to help ensure the support of investors and other stakeholders? Discuss some of the benefits and provide examples.

What is the difference between a long-term value creation *story* and a long-term value creation *plan*? How can investor presentations use these elements to communicate the strategic direction of the firm?

Should management respond to investor demands for better long-term performance resulting from sound management of environmental, social, and governance issues? Explain your answer with examples of the benefits the firm can reap from communicating its long-term thinking.

Answer Key

Test name: Ch1_Strategic Management: Creating Competitive Advantages_11e

TRUE

In the romantic view of leadership, the implicit assumption is that the leader is the key force in determining an organization's success or lack thereof. Consider, for example, the credit that has been bestowed on leaders such as Bill Gates, Andrew Grove, and Jeff Bezos for the tremendous accomplishments when they led their firms: Microsoft, Intel, and Amazon, respectively. Similarly, the emergence of Apple as one of the most valuable firms in the world has been attributed almost entirely to the late Steve Jobs, its former CEO, who died on October 5, 2011.

TRUE

According to the textbook, this is the definition of strategic management.

TRUE

Sustainable competitive advantage cannot be achieved through operational effectiveness alone. Popular management innovations of the last two decades like total quality, just-in-time, benchmarking, business process reengineering, and outsourcing are concerned with operational effectiveness.

TRUE

The fourth attribute of strategic management is that it involves the recognition of trade-offs between effectiveness and efficiency. Some authors have referred to this as the difference between doing the right thing (effectiveness) and doing things right (efficiency).

FALSE

Strategic management involves the recognition of trade-offs between effectiveness and efficiency. Some authors have referred to this as the difference between doing the right thing (effectiveness) and doing things right (efficiency). Digital technologies can also impact the trade-offs between effectiveness and efficiency. When companies use digital technologies to digitize existing business processes, efficiency is improved.

TRUE

Digitization typically enhances operational excellence, while digital enhances a customer value proposition. Companies that think they are leading digital transformation projects when in reality they are digitizing existing processes may achieve operational excellence on an outdated value proposition. Just consider the limitation of being the best (digitized) hotel in town when Airbnb enters the market with a superior (digital) offering.

TRUE

Henry Mintzberg states that the intended strategy rarely survives in its original form. Unforeseen environmental developments, unanticipated resource constraints, or changes in managerial preferences may result in at least some parts of the intended strategy remaining unrealized. On the other hand, good managers will want to take advantage of a new opportunity presented by the environment, even if it was not part of the original set of intentions.

FALSE

Realized strategy is that strategy of a firm in which organizational decisions are determined by both analysis and unforeseen environmental developments, unanticipated resource constraints, and/or changes in managerial preferences.

FALSE

Strategy analysis is the study of the external and internal environments of a firm, and their fit with organizational vision and goals.

FALSE

Successful firms strive to develop bases for competitive advantage, which can be achieved through cost leadership and/or differentiation as well as by focusing on a narrow or industrywide market segment.

FALSE

The primary participants are: (1) the shareholders, (2) the management (led by the chief executive officer), and (3) the board of directors.

FALSE

The board of directors (BOD) are the elected representatives of the shareholders, charged with ensuring that the interests and motives of management are aligned with those of the owners (i.e., shareholders). Recent scandals have resulted in criticism and cynicism that the BOD fulfills this charge.

FALSE

We focus on three important mechanisms to ensure effective corporate governance: (1) an effective and engaged board of directors, (2) shareholder activism, and (3) proper managerial rewards and incentives.

FALSE

Boards of directors have a key mission of providing strong oversight and strategic support for management efforts to create long-term value.

FALSE

Social responsibility is the expectation that businesses or individuals will strive to improve the overall welfare of society. From the perspective of a business, this means that managers must take active steps to make society better by virtue of the business being in existence.

TRUE

Many companies are now measuring what has been called a triple bottom line. This involves assessing financial, social, and environmental performance. Shell, NEC, Procter and Gamble, and others have recognized that failing to account for the environmental and social costs of doing business poses risks to the company and its community.

TRUE

A CEO survey on sustainability by Accenture debunks the notion that sustainability and profitability are mutually exclusive corporate goals. The study found that sustainability is being increasingly recognized as a source of cost efficiencies and revenue growth. In many companies, sustainability activities have led to increases in revenue and profits.

FALSE

Shareholders increasingly invest in firms that enhance social well-being and environmental sustainability. Once a niche investing approach, responsible investment approaches evaluate companies based on environmental, social, and governance (ESG) criteria.

FALSE

Responsible investing approaches are known by various terms such as socially responsible investing (SRI) and impact investing. Regardless of the terms and definitions used, investor interest in responsible companies is growing dramatically. A growing body of research suggests that focusing on ESG criteria can enhance the financial performance of corporations, thus benefiting not only society and the environment, but also investors who support ESG funds.

FALSE

Strategic management requires managers to take an integrative view of the organization and assess how all of the functional areas and activities fit together to help an organization achieve its goals and objectives. This cannot be accomplished if only the top managers in the organization take an integrative, strategic perspective of issues facing the firm, and everyone else fends for themselves in their independent, isolated functional areas. Instead, people throughout the organization must strive toward overall goals.

FALSE

To develop and mobilize people and other assets, leaders are needed throughout the organization. No longer can organizations be effective if the top level does the thinking, and the rest of the organization does the work. Everyone must be involved in the strategic management process.

TRUE

Richard Branson, founder of the Virgin Group, whose core businesses include retail operations, hotels, communications, and an airline, is well known for creating a culture and an informal structure where anybody in the organization can be involved in generating and acting on new business ideas.

TRUE

Peter Guber, chairman of Mandalay Entertainment, discovered that great ideas can come from the least-expected sources. During the filming of the movie *Gorillas in the Mist*, his production company faced many problems including requiring gorillas to follow a script. A young intern suggested sending an experienced cinematographer to film the gorillas in the jungle and let the animals tell the story. Empowering this young intern led to the final budget being cut in half and several nominations for Academy Awards and Golden Globe Awards.

TRUE

Top executives make decisions in an environment characterized by distractions and information overload. It is not surprising that early warning signs get lost in such a noisy environment. Companies must not only notice early warning signs but also evaluate these signals from different perspectives to trigger action and implement changes. This can be achieved when top executives not only rely on their direct reports but listen to lower-level executives who often can better evaluate early warning signs. Yet, this is frequently easier said than done as recent struggles at General Electric exemplify. General Electric was once the most valuable company in the United States, but its inability to sense and act upon bad news led to its downfall and subsequent split into three independent companies.

TRUE

A vision is a goal that is massively inspiring, overarching, and long term.

FALSE

Challenging objectives can help to motivate and inspire employees to higher levels of commitment and effort. Much research has supported the notion that people work harder when they are striving toward specific goals instead of being asked simply to do their best.

FALSE

An idealistic vision can arouse employee enthusiasm. However, that same enthusiasm can be quickly dashed if employees find that senior management behavior is not consistent with the vision.

C

The two perspectives of leadership are the romantic and the external control perspectives.

A

When things do not go well, much of the failure of an organization can also, rightfully, be attributed to the leader. Expansion of Luckin Coffee in China, as well as lacking internal controls (both endorsed by CEO Ms. Qian) led to the fall of Luckin Coffee.

C

Consider another perspective—the external control view of leadership. Here, rather than making the implicit assumption that the leader is the most important factor in determining organizational outcomes, the focus is on external factors that may positively (or negatively) affect the success of a firm.

D

Developments in the general environment, such as economic downturns, new technologies, governmental legislation, or an outbreak of major internal conflict or war, can greatly restrict the choices that are available to executives of the firm. For example, several book retailers, such as Borders and Waldenbooks, found the consumer shift away from brick-and-mortar bookstores to online book buying (e.g., Amazon) and digital books an overwhelming environmental force against which they had few defenses. This is known as the external control view of leadership because rather than making the implicit assumption that the leader is the most important factor in determining organizational outcomes, the focus is on external factors that may positively (or negatively) affect the success of the firm.

A

The coffee chain faced some challenges from the external environment over which the firm had relatively little control. As noted, Starbucks was a strong competitor in the Chinese coffee market with strong ambitions to further grow in China. When things do not go well, much of the failure of an organization can also, rightfully, be attributed to the leader. Clearly, the aggressive expansion of Luckin Coffee in China, as well as lacking internal controls (both endorsed by CEO Ms. Qian) led to the fall of Luckin. This is mostly an example of the romantic view of leadership whereby the implicit assumption is that the leader is the key force in determining the success (or lack of success) of an organization.

B

In the romantic view of leadership, the implicit assumption is that the leader is the key force in determining the success (or lack of success) of an organization. This view dominates the popular press in business magazines such as Fortune, BusinessWeek, and Forbes, wherein the CEO is either lauded for the success of the firm or chided for its demise.

D

In the external control view of leadership, external factors are responsible for positively or negatively affecting company success. These external factors often are unanticipated and are not due to the company's leadership.

D

The strategic management of an organization entails three ongoing processes: analyses, decisions, and actions.

D

The popular management innovations of the last two decades (total quality, just-in-time, benchmarking, business process reengineering and outsourcing) are all about operational effectiveness. Each of these is important, but none leads to sustainable competitive advantage because everyone is doing them. Strategy is all about being different.

C

Strategic management is directed toward overall organizational goals and objectives. Effort must be directed at what is best for the total organization, not just a single functional area. Some authors have referred to this perspective as organizational versus individual rationality. What might look rational or ideal for one functional area, such as operations, may not be in the best interest of the overall firm.

A

The key attributes of strategic management are that it directs the organization toward overall goals and objectives, includes multiple stakeholders in decision making, needs to incorporate short-term and long-term perspectives, and recognizes trade-offs between efficiency and effectiveness.

D

The key attributes of strategic management are that it directs the organization toward overall goals and objectives, includes multiple stakeholders in decision making, needs to incorporate short-term and long-term perspectives, and recognizes trade-offs between efficiency and effectiveness.

A

Effectiveness is tailoring actions to the needs of an organization rather than wasting effort, or doing the right thing.

D

Stakeholders are those individuals, groups, and organizations that have a stake in the success of the organization, including owners (shareholders in a publicly held corporation), employees, customers, suppliers, the community at large, and so on. Managers will not be successful if they focus on a single stakeholder.

D

Strategic management requires incorporating both short-term and long-term perspectives. Peter Senge, a leading strategic management author, has referred to this need as a creative tension. That is, managers must maintain both a vision for the future of the organization and a focus on its present operating needs.

D

Strategic management involves the recognition of trade-offs between effectiveness and efficiency. Some authors have referred to this as the difference between doing the right thing (effectiveness) and doing things right (efficiency).

A

Digital technologies can impact the trade-offs between effectiveness and efficiency. When companies use digital technologies to digitize existing business processes, efficiency is improved. For example, artificial intelligence may be used to automate repetitive administrative tasks such as data entry.

C

Ambidextrous behaviors include the following: (1) Individuals take time and are alert to opportunities beyond the confines of their own jobs; (2) they are cooperative and seek out opportunities to combine their efforts with others; (3) they are brokers, always looking to build internal networks; and (4) they are multitaskers, who are comfortable wearing more than one hat.

A

A recent study involving 41 business units in 10 multinational companies identified four ambidextrous behaviors in individuals. Such behaviors are the essence of ambidexterity, and they illustrate how a dual capacity for alignment and adaptability can be woven into the fabric of an organization at the individual level.

A

The innovation paradox arises when a company must decide if it is to manage for today or tomorrow. A firm's long-term survival requires taking risks and learning from failure in the pursuit of new products and services. However, companies also need consistency in their products and services. Thus there develops a tension between existing products and new ones, between stability and change.

A

The final realized strategy of any firm is a combination of deliberate and emergent strategies.

C

Strategy analysis may be looked upon as the starting point of the strategic management process. It consists of the advance work that must be done in order to effectively formulate and implement strategies.

D

Strategy analysis may be looked upon as the starting point of the strategic management process. It consists of the advance work that must be done in order to effectively formulate and implement strategies. Many strategies fail because managers may want to formulate and implement strategies without a careful analysis of the overarching goals of the organization and without a thorough analysis of its external and internal environments.

A

Business-level strategy addresses the issue of how to compete in a given business to attain competitive advantage.

A

Corporate-level strategy focuses on two issues: (a) what businesses to compete in and (b) how businesses can be managed to achieve synergy; that is, they create more value by working together than by operating as stand-alone businesses.

D

Corporate-level strategy addresses a portfolio (or group) of businesses of the firm. It addresses: (1) what business (or businesses) should we compete in and (2) how can we manage this portfolio of businesses to create synergies among the businesses.

B

When firms enter foreign markets, they face both opportunities and pitfalls. Managers must decide not only on the most appropriate entry strategy but also how they will go about attaining competitive advantages in international markets.

D

Entrepreneurial activity aimed at new value creation is a major engine for economic growth. For entrepreneurial initiatives to succeed, viable opportunities must be recognized and effective strategies must be formulated.

B

Firms must exercise two types of strategic control. First, informational control requires that organizations continually monitor and scan the environment and respond to threats and opportunities. Second, behavioral control involves the proper balance of rewards and incentives as well as cultures and boundaries (or constraints).

D

Firms must have organizational structures and designs that are consistent with their strategy. In the rapidly changing competitive environments today, firms must ensure that their organizational boundaries (those internal to the firm and external) are more flexible and permeable.

C

Given rapid and unpredictable change, leaders must create a learning organization so that the entire organization can benefit from individual and collective talents.

C

Effective leaders set a direction, design the organization, and develop an organization that is committed to excellence and ethical behavior.

A

Firms must continually improve and grow as well as find new ways to renew their organizations. Corporate entrepreneurship and innovation provide firms with new opportunities, and strategies should be formulated that enhance the innovative capacity of the firm.

B

Strategy implementation involves ensuring proper strategic controls and organizational designs, which includes establishing effective means to coordinate and integrate activities within the firm as well as with its suppliers, customers, and alliance partners. Leadership plays a central role, ensuring that the organization is committed to excellence and ethical behavior. It also promotes learning and continuous improvement and acts entrepreneurially in creating new opportunities. Competition is not part of the implementation plan of the firm. It is considered earlier in the strategic management process.

D

Successful strategies have not a few but several attributes and all of them must operate in concert. To ensure that customer offerings are effectively differentiated by the organizations, strategic management should itself also be regularly assessed.

C

The primary participants in corporate governance are: (1) the shareholders, (2) the management (led by the chief executive officer), and (3) the board of directors.

B

The board of directors (BOD) consists of the elected representatives of the shareholders charged with ensuring that the interests and motives of management are aligned with those of the owners (i.e., shareholders).

B

The board of directors (BOD) consists of the elected representatives of the shareholders charged with ensuring that the interests and motives of management are aligned with those of the owners (i.e., shareholders).

A

A stakeholder can be defined as an individual or group, inside or outside the company, that has a stake in and can influence the performance of an organization. Each stakeholder group makes various claims on the company. Five key stakeholders have been identified in all organizations: owners, customers, suppliers, employees, and society at large. Successful firms go beyond an overriding focus on satisfying solely the interests of owners. Rather, they recognize the inherent conflicts that arise among the demands of the various stakeholders, as well as the need to endeavor to attain symbiosis among the various stakeholder groups.

B

Stakeholders are those individuals, groups, and organizations that have a stake in the success of the organization, including owners (shareholders in a publicly held corporation), employees, customers, suppliers, the community at large, and so on.

B

Organizations can achieve mutual benefit through stakeholder symbiosis, which recognizes that stakeholders are dependent upon each other for their success and well-being.

D

In the zero-sum view, the role of management is to look upon the various stakeholders as competing for the resources of the organization. In essence, the gain of one individual or group is the loss of another individual or group.

B

Organizations can achieve mutual benefit through stakeholder symbiosis, which recognizes that stakeholders are dependent upon each other for their success and well-being.

A

Employees as a stakeholder group are concerned with wages, benefits, safe working environment, and job security.

B

Stockholders are interested in dividends and capital appreciation.

D

Supplier stakeholders are concerned with on-time payment and assurance of a continued relationship with the firm.

B

Community stakeholders are concerned with good citizenship behavior such as charities, employment, and not polluting the environment.

D

Social responsibility is the expectation that businesses or individuals will strive to improve the overall welfare of society. From the perspective of a business, this means that managers must take active steps to make society better by virtue of the business being in existence.

C

Many companies are now measuring what has been called a triple bottom line. This involves assessing financial, social, and environmental performance.

B

A key stakeholder group that appears to be particularly susceptible to corporate social responsibility (CSR) initiatives is customers. Surveys indicate a strong positive relationship between CSR behaviors and consumer reaction to products and services of a firm.

B

A corporate citizenship poll conducted by Cone Communications found that 84 percent of Americans say they would be likely to switch brands to one associated with a good cause, if price and quality are similar.

A

A CEO survey on sustainability by Accenture debunks the notion that sustainability and profitability are mutually exclusive corporate goals. The study found that sustainability is being increasingly recognized as a source of cost efficiencies and revenue growth.

D

Shareholders increasingly invest in firms that enhance social well-being and environmental sustainability. Once a niche investing approach, responsible investment approaches evaluate companies based on environmental, social, and governance (ESG) criteria.

A

A growing body of research suggests that focusing on ESG criteria can enhance the financial performance of corporations, thus benefiting not only society and the environment, but also investors who support ESG funds.

D

The ROIs on sustainability projects are often very difficult to quantify for a number of reasons. Among these are: (1) the data necessary to calculate ROI accurately are often not available when it comes to sustainability projects; (2) many of the benefits from such projects are intangible; and (3) the payback period is on a different time frame.

D

The data necessary to calculate ROI accurately are often not available when it comes to sustainability projects. However, sustainability programs may often find their success beyond company boundaries, so internal systems and process metrics cannot capture all the relevant numbers.

B

Traditional financial models are built around relatively easy-to-measure, monetized results. Yet many of the benefits of sustainability projects involve fuzzy intangibles, such as the goodwill that can enhance firm brand equity.

B

Clearly, the case for sustainability projects needs to be made on the basis of a more holistic and comprehensive understanding of all the tangible and intangible benefits rather than whether or not they meet existing hurdle rates for traditional investment projects. For example, 3M uses a lower hurdle rate for pollution prevention projects.

A

The intangible benefits of sustainability projects such as reducing risks, staying ahead of regulations, pleasing communities, and enhancing employee morale are substantial, even when they are difficult to quantify.

C

While ESG investing is clearly a force to be reckoned with in the asset management industry, the success of ESG investing attracted numerous new funds that may espouse ESG investing principles on paper only but not in spirit. Today more than 6,000 funds state that they invest funds in ethical firms and projects, double the number of such funds in 2013. ESG funds offered in Europe must describe in detail how exactly they address social and environmental issues, ensuring that ESG funds are in substantial compliance with the ideas of ESG investing.

D

Strategic management requires managers to take an integrative view of the organization and assess how all of the functional areas and activities fit together to help an organization achieve its goals and objectives. This cannot be accomplished if only the top managers in the organization take an integrative, strategic perspective of issues facing the firm, and everyone else fends for themselves in their independent, isolated functional areas. Instead, people throughout the organization must strive toward overall goals.

C

To develop and mobilize people and other assets, leaders are needed throughout the organization. No longer can organizations be effective if the top does the thinking, and the rest of the organization does the work. People throughout the organization must strive toward overall goals.

B

No longer can organizations be effective if the top does the thinking, and the rest of the organization does the work. People throughout the organization must strive toward overall goals.

C

Internal networkers, although they have little positional power and formal authority, generate their power through the conviction and clarity of their ideas.

B

Executive leaders champion and guide ideas, create a learning infrastructure, and establish a domain for taking action.

A

To develop and mobilize people and other assets, leaders are needed throughout the organization.

D

Local line leaders have significant profit-and-loss responsibility.

B

Internal networkers have little positional power and formal authority, but generate their power through the conviction and clarity of their ideas.

D

Executive leaders champion and guide ideas, create a learning infrastructure, and establish a domain for taking action.

D

Richard Branson, founder of the Virgin Group, whose core businesses include retail operations, hotels, communications, and an airline, is well known for creating an informal structure and culture where anyone in the organization can be involved in generating and acting on new business ideas.

A

To inculcate a strategic management perspective, managers must create management processes to foster change. This involves planning, leading, and holding people accountable.

A

To inculcate a strategic management perspective, managers must create management processes to foster change. This involves planning, leading, and holding people accountable. At Netflix, leading people is not based on a position in the hierarchy, nor an individual trait that is taught to people identified as high potentials. The expectation is that anyone can take initiative, make decisions, and influence others consistent with the firm's strategy. Everyone gets and receives feedback from team members, supervisors, managers, and customers. As part of the overall system that emphasizes transparency, there is the shared belief at Netflix that good results depend on people providing their insights and perspectives. Getting alignment, direction, and obtaining results the right way is essential. Those who fail to achieve this are asked to leave the firm.

D

Strategic management requires managers to take an integrative view of the organization and assess how all of the functional areas and activities fit together to help an organization achieve its goals and objectives. This cannot be accomplished if only the top managers in the organization take an integrative, strategic perspective of issues facing the firm and everyone else fends for themselves in their independent, isolated functional areas. Instead, people throughout the organization must strive toward overall goals.

C

Richard Branson, founder of the Virgin Group, whose core businesses include retail operations, hotels, communications, and an airline, is well known for creating a culture and an informal structure where anybody in the organization can be involved in generating and acting upon new business ideas. In an interview, he stated: "If someone has an idea, they can pick up the phone and talk to me. I can vote, 'Done, let us do it.' Or, better still, they can just go ahead and do it. They know that they are not going to get a mouthful from me if they make a mistake."

D

General Electric was once the most valuable company in the United States, but its inability to sense and act upon bad news led to its downfall and subsequent split into three independent companies. What happened to this American icon? In 2016, lower-level executives were worried about rosy revenue projections in the GE gas turbine business. When they brought their concerns to the attention of GE top-level executives in the GE Power unit, the bad news was dismissed. Companies must not only notice early warning signs but also evaluate these signals from different perspectives to trigger action and implement changes. This can be achieved when top executives not only rely on their direct reports but listen to lower-level executives who often can better evaluate early warning signs.

B

Organizations express priorities best through stated goals and objectives that form a hierarchy of goals, which includes its vision, mission, and strategic objectives. What visions may lack in specificity, they make up for in their ability to evoke powerful and compelling mental images. On the other hand, strategic objectives tend to be more specific and provide a more direct means of determining if the organization is moving toward broader, overall goals.

C

A vision is a goal that is massively inspiring, overarching, and long term.

B

A vision is a goal that is massively inspiring, overarching, and long-term. It represents a destination that is driven by and evokes passion. What visions may lack in specificity, they make up for in their ability to evoke powerful and compelling mental images.

B

Effective visions provide a fundamental statement of the values, aspirations, and goals of an organization. Such visions go well beyond narrow financial objectives, of course, and strive to capture both the minds and hearts of employees.

C

Although such visions cannot be accurately measured by a specific indicator of how well they are being achieved, they do provide a fundamental statement of organization values, aspirations, and goals. Such visions go well beyond narrow financial objectives, of course, and strive to capture both the minds and hearts of employees.

C

The mission statement of a company differs from its vision in that it encompasses both the purpose of the company as well as the basis of competition and competitive advantage.

A

Strategic objectives are used to operationalize the mission statement. That is, they help to provide guidance on how the organization can fulfill or move toward the higher goals in the goal hierarchy, that of the mission and vision.

C

Challenging objectives can help to motivate and inspire employees to higher levels of commitment and effort. Much research has supported the notion that people work harder when they are striving toward specific goals instead of being asked simply to do their best.

B

Strategic objectives are used to operationalize the mission statement. This is an example of a financial strategic objective.

A

Strategic objectives are used to operationalize the mission statement. This is an example of a nonfinancial strategic objective.

C

There is always the potential for different parts of an organization to pursue their own goals rather than overall company goals. Although well intentioned, these may work at cross-purposes to the organization as a whole. Meaningful objectives thus help to resolve conflicts when they arise.

B

Reduce volatile air emissions 15 percent by 2015 from 2010 base year, indexed to net sales (3M) is a nonfinancial strategic objective.

D

As we noted earlier in the chapter, there is always the potential for different parts of an organization to pursue their own goals rather than overall company goals. Although well intentioned, these may work at cross-purposes to the organization as a whole. Meaningful objectives thus help to resolve conflicts when they arise.

A

Most business enterprises that employ more than a few dozen people are organized as corporations. As taught in finance classes, the overall purpose of a corporation is to maximize the long-term return to the owners (shareholders). Most business enterprises that employ more than a few dozen people are organized as corporations. As you recall from your finance classes, the overall purpose of a corporation is to maximize the long-term return to the owners (shareholders).

D

The board of directors (BOD) are the elected representatives of the shareholders charged with ensuring that the interests and motives of management are aligned with those of the owners (i.e., shareholders). In many cases, the BOD is diligent in fulfilling its purpose. A BOD follows guidelines to ensure that its members are independent (i.e., are not members of the executive management team and do not have close personal ties to top executives) so that they can provide proper oversight; it has explicit guidelines on the selection of director candidates, it provides detailed procedures for formal evaluations of directors and the firm's top officers; and they deliver on their core mission: providing strong oversight and strategic support for management efforts to create long-term value.

B

The textbook focuses on three important mechanisms to ensure effective corporate governance: an effective and engaged board of directors, shareholder activism, and proper managerial rewards and incentives.

C

Effective mission statements incorporate the concept of stakeholder management, suggesting that organizations must respond to multiple constituencies. Customers, employees, suppliers, and owners are the primary stakeholders. Mission statements also have the greatest impact when they reflect the enduring, overarching strategic priorities and competitive positioning of an organization.

B

The ROIs on sustainability projects are often very difficult to quantify for several reasons. Among these are (1) the data necessary to calculate ROI accurately are often not available when it comes to sustainability projects; (2) many of the benefits from such projects are intangible; (3) the payback period is on a different time frame.

Short Answer

Students should look up the corporate website for their chosen company and then record the vision/mission/corporate objectives they find. Using the key attributes of strategic management that are listed in Exhibit 1.1 of the chapter, they should analyze the company, demonstrating their conclusions with an analysis of the resulting revenue, market share, and ongoing industry ranking.

Short Answer

Students should use industry examples of real mission statements to demonstrate why a mission statement, done correctly, can make a difference to all of the stakeholders involved. See Exhibit 1.7 for the example of the Walt Disney Company mission statement.

Short Answer

Using Exhibit 1.5 from the chapter, students should provide industry examples that illustrate each area of interest to each stakeholder and how companies respond to these claims.

Short Answer

To develop and mobilize people and other assets, leaders are needed throughout the organization. No longer can organizations be effective if the top does the thinking and the rest of the organization does the work. Everyone must be involved in the strategic management process. There is a critical need for three types of leaders: local line leaders who have significant profit-and-loss responsibility; executive leaders who champion and guide ideas, create a learning infrastructure, and establish a domain for taking action; internal networkers who, although they have little positional power and formal authority, generate their power through the conviction and clarity of their ideas.

Short Answer

Employees and managers must strive toward common goals and objectives. By specifying desired results, it becomes much easier to move forward. Otherwise, the organization's stakeholders would not know what the firm is striving to accomplish. And, employees and managers would have no idea of what to work toward. Strategic objectives are used to operationalize the mission statement. That is, they help to provide guidance on how the organization can fulfill or move toward the higher goals in the goal hierarchy—the mission and vision. Thus, they are more specific and cover a more well-defined time frame. Setting objectives demands a yardstick to measure the fulfillment of the objectives. For objectives to be meaningful, they need to satisfy several criteria.

Short Answer

Sustainable competitive advantage cannot be achieved through operational effectiveness alone. The popular management innovations of the last two decades—total quality, just-in-time, benchmarking, business process reengineering, outsourcing—are all about operational effectiveness. Operational effectiveness means performing similar activities better than rivals. Each of these innovations is important, but none lead to sustainable competitive advantage because everyone is doing them. Strategy is all about being different. Sustainable competitive advantage is possible only by performing different activities from rivals or performing similar activities in different ways. Companies such as Apple, Amazon, and IKEA have developed unique, internally consistent, and difficult-to-imitate activity systems that have provided them with sustained competitive advantages. A company with a good strategy must make clear choices about what it wants to accomplish. Trying to do everything that your rivals do eventually leads to mutually destructive price competition, not long-term advantage.

Short Answer

Strategic management consists of the analyses, decisions, and actions an organization undertakes in order to create and sustain competitive advantages. Key attributes of strategic management include:

- Directs the organization toward overall goals and objectives
- Includes multiple stakeholders in decision making
- Needs to incorporate short-term and long-term perspectives
- Recognizes trade-offs between efficiency and effectiveness

Managers must maintain both a vision for the future of the organization and a focus on its present operating needs. However, financial markets can exert significant pressures on executives to meet short-term performance targets. Studies have shown that corporate leaders often take a short-term approach to the detriment of creating long-term shareholder value.

Short Answer

As depicted in Exhibit 1.2, decisions following from analysis constitute the intended strategy of the firm. For a variety of reasons, the intended strategy rarely survives in its original form. Unforeseen environmental developments, unanticipated resource constraints, or changes in managerial preferences may result in at least some parts of the intended strategy remaining unrealized.

Short Answer

The textbook provides this example. Students should look for workplace examples around them. Rick Spielman, general manager of the Minnesota Vikings (in the National Football League), provides valuable insight on this issue. He recalls the many quarterbacks that he has interviewed over the past 25 years and notes that many of them can effectively draw up plays on the whiteboard and you sit there, and it is like listening to an offensive coordinator. However, that is not enough. He points out that he now needs to translate that and make those same decisions and those same types of reads in the two and a half seconds he has to get rid of the ball.

Short Answer

Decisions such as mass layoffs to increase profits, ignoring issues related to conservation of the natural environment to save money, and exerting excessive pressure on suppliers to lower prices can harm the firm in the long run. Such actions would likely lead to negative outcomes such as alienated employees, increased governmental oversight and fines, and disloyal suppliers. Students should find current workplace examples from their own environment or from news articles.

Short Answer

Many companies are now measuring what has been called a triple bottom line. This involves assessing financial, social, and environmental performance. Shell, NEC, Procter and Gamble, and others have recognized that failing to account for the environmental and social costs of doing business poses risks to the company and its community. A CEO survey on sustainability by Accenture debunks the notion that sustainability and profitability are mutually exclusive corporate goals. The study found that sustainability is being increasingly recognized as a source of cost efficiencies and revenue growth. In many companies, sustainability activities have led to increases in revenue and profits.

Short Answer

Jon Hale, U.S. head of sustainable research for Morningstar, provides several best practices that make this process easier. According to Mr. Hale, investors should start by assessing the financial performance and fees of ESG funds as they would for traditional mutual funds. Next, investors should understand the three basic types of ESG funds. First, “Shunners” avoid bad actors in a specific set of companies and then purge all companies that rank in the bottom of sustainability, social responsibility, or governance effectiveness. Second, “Seekers” actively pick the best stocks according to ESG criteria. This type of ESG fund may include activist shareholders that pressure companies to change their business practices. Lastly, “Specialists” follow a niche strategy and target current environmental or social issues.

Short Answer

Clearly, the case for sustainability projects needs to be made on the basis of a more holistic and comprehensive understanding of all the tangible and intangible benefits rather than whether or not they meet existing hurdle rates for traditional investment projects. For example, 3M uses a lower hurdle rate for pollution prevention projects. When it comes to environmental projects, IKEA allows a 10- to 15-year payback period, considerably longer than it allows for other types of investment. And Diversey, a cleaning products company, has employed a portfolio approach. It has established two hurdles for projects in its carbon reduction plan: 1) a three-year payback and 2) a cost per megaton of carbon avoided. Out of 120 possible projects ranging from lighting retrofits to solar photovoltaic systems, only 30 cleared both hurdles. Although about 60 of the other ideas could reach one, an expanded 90-project portfolio, all added together, met the double hurdle. Subsequently, Diversey was able to increase its carbon reduction goal from 8 to 25 percent and generated a higher net present value.

Short Answer

Top executives make decisions in an environment characterized by distractions and information overload. It is not surprising that early warning signs get lost in such a noisy environment. Companies must not only notice early warning signs but also evaluate these signals from different perspectives to trigger action and implement changes. This can be achieved when top executives not only rely on their direct reports but listen to lower-level executives who often can better evaluate early warning signs. Yet, this is often easier said than done as General Electric's recent struggles exemplify. General Electric was once the most valuable company in the United States, but its inability to sense and act upon bad news led to its downfall and subsequent split into three independent companies.

Short Answer

Despite pressure for short-term results, executives should communicate their long-term thinking to help ensure the support of investors and other stakeholders. Many have suggested the benefits that firms can obtain when they communicate their perspectives and priorities. Among these are: Investor presentations of long-term plans provide an opportunity for discussions to take place regarding the continuing corporate performance on two critical elements, 1) a long-term value creation story (drawing on the past) and a long-term value creation plan (looking to the future); and 2) Investors are increasingly seeing ESG (environmental, social, governance) issues as financially material and expect sound management of such factors in order to deliver better performance over the long term. A corporation can obtain many collateral benefits when it communicates a long-term purpose.

Short Answer

Investor presentations of long-term plans provide an opportunity for discussions to take place regarding the continuing corporate performance on two critical elements: a long-term value creation story (drawing on the past) and a long-term value creation plan (looking to the future). This involves a good deal of research about the market, product development, fiscal and attitudinal changes, and regulatory changes. In addition, it also helps to signal credibility as to the corporation's preparedness to deal with anticipated environmental changes.

Short Answer

A corporation can obtain many collateral benefits when it communicates a long-term purpose. Among these are the ability to inspire and retain managers and employees. When a company espouses an authentic, sustainable purpose, it is more likely to attract, motivate, and retain talent which is a core objective in the knowledge economy. However, in a recent MIT Sloan School survey of more than 4,000 managers, only 28 percent could correctly list three of their top strategic priorities for the firm. Similarly, in another study, only 14 percent of the organizations that were polled reported that their employees had a good understanding of their company's strategy and direction. The Metrus Group identified several factors that can enhance the attainment of alignment in the purpose and objectives throughout an organization: an agreed upon strategy; strategic measures or a balanced scorecard; and, linking to business functions with targets, individual accountabilities, and rewards.