

Strategic Management: A Competitive Advantage Approach, 17e (David/David)
Chapter 1 The Nature of Strategic Management

- 1) The goal of strategic management is to
- A) achieve competitive advantage.
 - B) maintain competitive advantage.
 - C) achieve and maintain competitive advantage.
 - D) eliminate competitive advantage.
 - E) eliminate and abolish competitive advantage.

Answer: C

Diff: 2

LO: 1.1: Describe the strategic-management process.

AACSB: Analytical thinking

- 2) Strategic management focuses on integrating functional areas to achieve organizational success. Which of the following is NOT one of the functional areas that is the focus of strategic management?

- A) marketing
- B) finance and accounting
- C) production and operations
- D) research and development
- E) organizational behavior

Answer: E

Diff: 2

LO: 1.1: Describe the strategic-management process.

AACSB: Reflective thinking

- 3) What can be defined as the art and science of formulating, implementing and evaluating cross-functional decisions that enable an organization to achieve its objectives?

- A) Strategy formulation
- B) Strategy evaluation
- C) Strategy implementation
- D) Strategic management
- E) Strategic leading

Answer: D

Diff: 1

LO: 1.1: Describe the strategic-management process.

AACSB: Reflective thinking

4) To gain _____ firms need to provide unique products and services.

- A) a bank loan
- B) governmental legitimacy
- C) a sustainable competitive advantage
- D) competitors
- E) export orders

Answer: C

Diff: 2

LO: 1.1: Describe the strategic-management process.

AACSB: Analytical thinking

5) The strategic-management process is becoming more widely used by

- A) small firms.
- B) nonprofit institutions.
- C) governmental organizations.
- D) multinational conglomerates.
- E) all types of organizations.

Answer: E

Diff: 2

LO: 1.1: Describe the strategic-management process.

AACSB: Reflective thinking

6) An organization should take a(n) _____ approach in its industry.

- A) adversarial rather than a collegial
- B) collegial rather than an adversarial
- C) reactive rather than a proactive
- D) proactive rather than a reactive
- E) cooperative rather than a competitive

Answer: D

Diff: 2

LO: 1.1: Describe the strategic-management process.

AACSB: Reflective thinking

7) The strategic-management process

- A) occurs once a year.
- B) is a semiannual process.
- C) is a continuous process.
- D) applies mostly to companies with sales greater than \$100 million.
- E) applies mostly to small businesses.

Answer: C

Diff: 3

LO: 1.1: Describe the strategic-management process.

AACSB: Analytical thinking

8) Sometimes _____ is used to refer to strategic formulation, implementation and evaluation, with _____ referring only to strategic formulation.

- A) strategic planning; strategic management
- B) strategic planning; strategic processing
- C) strategic management; strategic planning
- D) strategic management; strategic processing
- E) strategic implementation; strategic focus

Answer: C

Diff: 2

LO: 1.1: Describe the strategic-management process.

AACSB: Reflective thinking

9) The terms "strategic management" and "strategic planning" are used synonymously in this text.

Answer: TRUE

Diff: 1

LO: 1.1: Describe the strategic-management process.

AACSB: Reflective thinking

10) Strategic management focuses on integrating management, marketing, finance and accounting, production and operations, research and development, and information systems to achieve organizational success.

Answer: TRUE

Diff: 1

LO: 1.1: Describe the strategic-management process.

AACSB: Reflective thinking

11) Optimizing for tomorrow the trends of today is the purpose of strategic management.

Answer: FALSE

Diff: 2

LO: 1.1: Describe the strategic-management process.

AACSB: Reflective thinking

12) U.S. firms are not being aggressively challenged in the computer industry.

Answer: FALSE

Diff: 2

LO: 1.1: Describe the strategic-management process.

AACSB: Analytical thinking

13) By occasionally monitoring external events, companies should be able to identify when change is required.

Answer: FALSE

Diff: 3

LO: 1.1: Describe the strategic-management process.

AACSB: Analytical thinking

14) Application of the strategic-management process is typically more formal in larger and well-established organizations.

Answer: TRUE

Diff: 2

LO: 1.1: Describe the strategic-management process.

AACSB: Reflective thinking

15) To be effective, strategic-management must be a process that familiarizes managers and employees with the key strategic issues facing an organization and the feasible alternatives for resolving those issues.

Answer: TRUE

Diff: 3

LO: 1.1: Describe the strategic-management process.

AACSB: Analytical thinking

16) The most effective strategic management is ritualistic, predictable, and formal.

Answer: FALSE

Diff: 3

LO: 1.1: Describe the strategic-management process.

AACSB: Analytical thinking

17) All firms have a strategy, even if it is informal, unstructured, and sporadic.

Answer: TRUE

Diff: 2

LO: 1.1: Describe the strategic-management process.

AACSB: Reflective thinking

18) Despite its great popularity in the 1980s, strategic planning by corporate America is now a valuable though rare activity.

Answer: FALSE

Diff: 2

LO: 1.1: Describe the strategic-management process.

AACSB: Analytical thinking

19) The strengths and weaknesses of an organization are determined relative to the strengths and weaknesses of its competitors.

Answer: TRUE

Diff: 2

LO: 1.1: Describe the strategic-management process.

AACSB: Reflective thinking

20) Compare and contrast strategic planning with strategic management.

Answer: The term "strategic planning" is more often used in the business world, whereas "strategic management" is often used in academia. Sometimes, strategic management is used to refer to strategy formulation, implementation and evaluation, with strategic planning referring only to strategy formulation.

Diff: 2

LO: 1.1: Describe the strategic-management process.

AACSB: Reflective thinking

21) Discuss some forces that influence the formality of the strategic-management process.

Answer: Application of the strategic-management process is typically more formal in larger and well-established organizations. Formality refers to the extent that participants, responsibilities, authority, duties, and approach are specified. Smaller businesses tend to be less formal. Firms that compete in complex, rapidly changing environments, such as technology companies, tend to be more formal in strategic planning. Firms that have many divisions, products, markets and technologies also tend to be more formal in applying strategic-management concepts. Greater formality in applying the strategic-management process is usually positively associated with organizational success.

Diff: 3

LO: 1.1: Describe the strategic-management process.

AACSB: Analytical thinking

22) During what stage of strategic management is a firm's specific internal strengths and weaknesses determined?

- A) Formulation
- B) Implementation
- C) Evaluation
- D) Feedback
- E) Goal-setting

Answer: A

Diff: 2

LO: 1.2: Discuss the three stages of strategy formulation, implementation, and evaluation activities.

AACSB: Reflective thinking

23) An important activity in _____ is taking corrective action.

- A) strategy evaluation
- B) strategy implementation
- C) strategy formulation
- D) strategy leadership
- E) strategic analysis

Answer: A

Diff: 2

LO: 1.2: Discuss the three stages of strategy formulation, implementation, and evaluation activities.

AACSB: Reflective thinking

24) What step in the strategic management process involves mobilizing employees and managers to put strategies into action?

- A) Strategy formulation
- B) Strategy evaluation
- C) Strategy implementation
- D) Strategic advantage
- E) Competitive advantage

Answer: C

Diff: 2

LO: 1.2: Discuss the three stages of strategy formulation, implementation, and evaluation activities.

AACSB: Interpersonal relations and teamwork

25) What types of skills are especially critical for successful strategy implementation?

- A) Interpersonal
- B) Marketing
- C) Technical
- D) Conceptual
- E) Visionary

Answer: A

Diff: 2

LO: 1.2: Discuss the three stages of strategy formulation, implementation, and evaluation activities.

AACSB: Interpersonal relations and teamwork

26) Which phase of strategic management is most strongly associated with "action"?

- A) Strategy formulation
- B) Strategy implementation
- C) Strategy evaluation
- D) Competing advantages
- E) Measuring performance

Answer: B

Diff: 1

LO: 1.2: Discuss the three stages of strategy formulation, implementation, and evaluation activities.

AACSB: Reflective thinking

27) _____ is NOT a strategy-implementation activity.

- A) Taking corrective actions
- B) Establishing annual objectives
- C) Devising policies
- D) Allocating resources
- E) Motivating employees

Answer: A

Diff: 2

LO: 1.2: Discuss the three stages of strategy formulation, implementation, and evaluation activities.

AACSB: Analytical thinking

28) Strategy evaluation is necessary because

- A) internal and external factors are constantly changing.
- B) the SEC requires strategy evaluation.
- C) success today is a guarantee of success tomorrow.
- D) the IRS requires strategy evaluation.
- E) firms have limited resources.

Answer: A

Diff: 2

LO: 1.2: Discuss the three stages of strategy formulation, implementation, and evaluation activities.

AACSB: Analytical thinking

29) In which phase of strategic management are annual objectives especially important?

- A) Reduction
- B) Formulation
- C) Implementation
- D) Evaluation
- E) Policy

Answer: C

Diff: 2

LO: 1.2: Discuss the three stages of strategy formulation, implementation, and evaluation activities.

AACSB: Reflective thinking

30) In which phase of strategic management are long-term objectives especially important?

- A) Formulation
- B) Control
- C) Evaluation
- D) Implementation
- E) Management

Answer: A

Diff: 2

LO: 1.2: Discuss the three stages of strategy formulation, implementation, and evaluation activities.

AACSB: Reflective thinking

31) The decision to expand or diversify operations is a strategy-formulation issue.

Answer: TRUE

Diff: 2

LO: 1.2: Discuss the three stages of strategy formulation, implementation, and evaluation activities.

AACSB: Analytical thinking

32) The decision to merge is a strategy-formulation issue, but the decision to form a joint venture is a strategy-implementation issue.

Answer: FALSE

Diff: 1

LO: 1.2: Discuss the three stages of strategy formulation, implementation, and evaluation activities.

AACSB: Reflective thinking

33) Strategy implementation is often considered to be the most difficult stage in the strategic-management process.

Answer: TRUE

Diff: 2

LO: 1.2: Discuss the three stages of strategy formulation, implementation, and evaluation activities.

AACSB: Reflective thinking

34) The final stage in strategic management is strategy implementation.

Answer: FALSE

Diff: 1

LO: 1.2: Discuss the three stages of strategy formulation, implementation, and evaluation activities.

AACSB: Reflective thinking

35) In most large organizations that engage in strategic management, the formulation, implementation, and evaluation of strategy activities occur at three hierarchical levels: corporate; divisional or strategic business unit; and functional.

Answer: TRUE

Diff: 2

LO: 1.2: Discuss the three stages of strategy formulation, implementation, and evaluation activities.

AACSB: Reflective thinking

36) One of the fundamental strategy evaluation activities is reviewing the external and internal factors on which strategies are based.

Answer: TRUE

Diff: 2

LO: 1.2: Discuss the three stages of strategy formulation, implementation, and evaluation activities.

AACSB: Reflective thinking

37) Many organizations mistakenly spend more time and effort on the implementation of a plan, than on the formulation of the plan itself.

Answer: FALSE

Diff: 3

LO: 1.2: Discuss the three stages of strategy formulation, implementation, and evaluation activities.

AACSB: Analytical thinking

38) Which stage in the strategic-management process is the most difficult? Explain why.

Answer: Strategy implementation is the most difficult stage in the strategic-management process because it requires personal discipline, commitment, and sacrifice. Successful strategy implementation hinges upon managers' ability to motivate employees, which is more of an art than a science. Interpersonal skills are especially critical for successful strategy implementation.

Diff: 3

LO: 1.2: Discuss the three stages of strategy formulation, implementation, and evaluation activities.

AACSB: Reflective thinking

39) The strategic-management process represents a(n) _____, _____, and _____ approach for determining an enterprise's future direction.

- A) logical; systematic; subjective
- B) intuitive; disorganized; subjective
- C) logical; systematic; objective
- D) intuitive; disorganized; objective
- E) inconsistent; systematic; subjective

Answer: C

Diff: 2

LO: 1.3: Explain the need for integrating analysis and intuition in strategic management.

AACSB: Reflective thinking

40) Which statement best describes intuition?

- A) It alone should be used in decision making.
- B) It represents a minor factor in decision making integrated with analysis.
- C) It should be coupled with analysis in decision making.
- D) It is better than analysis in decision making.
- E) It is management by ignorance.

Answer: C

Diff: 3

LO: 1.3: Explain the need for integrating analysis and intuition in strategic management.

AACSB: Analytical thinking

41) Strategic management is an attempt to organize qualitative and quantitative information in a way that allows effective decisions to be made under conditions of uncertainty.

Answer: TRUE

Diff: 2

LO: 1.3: Explain the need for integrating analysis and intuition in strategic management.

AACSB: Reflective thinking

42) Firms, like organisms, must be "adept at adapting" or they will not survive.

Answer: TRUE

Diff: 2

LO: 1.3: Explain the need for integrating analysis and intuition in strategic management.

AACSB: Reflective thinking

43) Once an effective strategy is designed, modifications are rarely required.

Answer: FALSE

Diff: 2

LO: 1.3: Explain the need for integrating analysis and intuition in strategic management.

AACSB: Analytical thinking

44) Analytical and intuitive thinking complement each other.

Answer: TRUE

Diff: 1

LO: 1.3: Explain the need for integrating analysis and intuition in strategic management.

AACSB: Reflective thinking

45) According to Albert Einstein, "Knowledge is far more important than intuition."

Answer: FALSE

Diff: 1

LO: 1.3: Explain the need for integrating analysis and intuition in strategic management.

AACSB: Reflective thinking

46) According to Peter Drucker "Imagination is more important than knowledge, because knowledge is limited, whereas imagination embraces the entire world."

Answer: FALSE

Diff: 2

LO: 1.3: Explain the need for integrating analysis and intuition in strategic management.

AACSB: Reflective thinking

47) Management by intuition can be defined as operating from the "I've-already-made-up-my-mind-don't-bother-me-with-the-facts mode."

Answer: FALSE

Diff: 2

LO: 1.3: Explain the need for integrating analysis and intuition in strategic management.

AACSB: Reflective thinking

48) An objective, logical, systematic, and non-intuitive approach for making major decisions in an organization is a way to describe the strategic-management process.

Answer: FALSE

Diff: 3

LO: 1.3: Explain the need for integrating analysis and intuition in strategic management.

AACSB: Reflective thinking

49) Discuss the value of integrating intuition and analysis.

Answer: Most organizations can benefit from strategic management, which is based on integrating intuition and analysis in decision making. Choosing an intuitive or analytic approach to decision making is not an either-or proposition. Managers at all levels in an organization inject their intuition and judgment into strategic-management analyses. Analytical thinking and intuitive thinking complement each other. Operating from the "I've-already-made-up-my-mind-don't-bother-me-with-the-facts" mode is not management by intuition; it is management by ignorance. Drucker says, "I believe in intuition only if you discipline it. 'Hunch' artists, who make a diagnosis, but don't check it out with facts, are the ones in medicine who kill people, and in management kill businesses." In a sense, the strategic-management process is an attempt both to duplicate what goes on in the mind of a brilliant, intuitive person who knows the business, and assimilates and integrates that knowledge using analysis to formulate effective strategies.

Diff: 2

LO: 1.3: Explain the need for integrating analysis and intuition in strategic management.

AACSB: Analytical thinking

50) Which individuals are most responsible for the success and failure of an organization?

A) Strategists

B) Financial planners

C) Personnel directors

D) Stakeholders

E) Human resource managers

Answer: A

Diff: 1

LO: 1.4: Define and give examples of key terms in strategic management.

AACSB: Reflective thinking

51) What are enduring statements of purpose that distinguish one business from other similar firms?

A) Policies

B) Mission statements

C) Objectives

D) Rules

E) Employee conduct guidelines

Answer: B

Diff: 2

LO: 1.4: Define and give examples of key terms in strategic management.

AACSB: Written and oral communication

52) An organization's vision statement

- A) is a constant reminder to its employees of why the organization exists.
- B) broadly charts the future direction of an organization.
- C) addresses the basic question: "What is our business?"
- D) answers the question: "What do we want to become?"
- E) is mandated by law.

Answer: D

Diff: 1

LO: 1.4: Define and give examples of key terms in strategic management.

AACSB: Written and oral communication

53) Generally, external opportunities and threats are

- A) uncontrollable by a single organization.
- B) unable to have a significant impact on an organization.
- C) not worth monitoring and evaluating.
- D) key functions in strategy implementation.
- E) key functions in strategy exploitation.

Answer: A

Diff: 2

LO: 1.4: Define and give examples of key terms in strategic management.

AACSB: Reflective thinking

54) Specific results an organization seeks to achieve in pursuing its basic mission are

- A) strategies.
- B) rules.
- C) objectives.
- D) policies.
- E) tenets.

Answer: C

Diff: 1

LO: 1.4: Define and give examples of key terms in strategic management.

AACSB: Reflective thinking

55) Internal _____ are controllable activities in an organization that are performed especially well.

- A) opportunities
- B) incompetencies
- C) strengths
- D) objectives
- E) factors

Answer: C

Diff: 1

LO: 1.4: Define and give examples of key terms in strategic management.

AACSB: Reflective thinking

56) What are the means by which long-term objectives will be achieved?

- A) Strategies
- B) Strengths
- C) Weaknesses
- D) Policies
- E) Opportunities

Answer: A

Diff: 2

LO: 1.4: Define and give examples of key terms in strategic management.

AACSB: Reflective thinking

57) Long-term objectives should be all of the following EXCEPT

- A) measurable.
- B) continually changing.
- C) reasonable.
- D) challenging.
- E) consistent.

Answer: B

Diff: 2

LO: 1.4: Define and give examples of key terms in strategic management.

AACSB: Reflective thinking

58) Which of the following is NOT a type of strategy developed from a SWOT analysis?

- A) Strengths/Opportunities
- B) Strengths/Threats
- C) Threats/Opportunities
- D) Weaknesses/Opportunities
- E) Weaknesses/Threats

Answer: C

Diff: 1

LO: 1.4: Define and give examples of key terms in strategic management.

AACSB: Reflective thinking

59) Because of the success of the iPad and the iPhone, Apple has tremendous brand recognition.

Brand recognition is one of Apple's

- A) weaknesses.
- B) opportunities.
- C) strengths.
- D) threats.
- E) strategies.

Answer: C

Diff: 3

LO: 1.4: Define and give examples of key terms in strategic management.

AACSB: Reflective thinking

60) Which of the following is often considered to be the first step in strategic planning?

- A) Developing a vision statement
- B) Establishing goals and objectives
- C) Making a profit
- D) Developing a mission statement
- E) Determining opportunities and threats

Answer: A

Diff: 1

LO: 1.4: Define and give examples of key terms in strategic management.

AACSB: Written and oral communication

61) Uber has fewer fixed assets than the typical taxi fleet company. This type of benefit that a company such as Uber has is called a(n)

- A) business moat.
- B) first-mover advantage.
- C) asset margin.
- D) strategic advantage.
- E) competitive advantage.

Answer: E

Diff: 2

LO: 1.4: Define and give examples of key terms in strategic management.

AACSB: Written and oral communication

62) Anything that a firm does especially well compared to rival firms is referred to as

- A) competitive advantage.
- B) comparative disadvantage.
- C) opportunity cost.
- D) unsustainable advantage.
- E) an external opportunity.

Answer: A

Diff: 1

LO: 1.4: Define and give examples of key terms in strategic management.

AACSB: Reflective thinking

63) The fact that Apple has no manufacturing facilities of its own

- A) has caused it to build up massive debt on its balance sheet.
- B) has enabled it to remain financially lean.
- C) has been problematic for Apple in terms of debt.
- D) illustrates that having more fixed assets than rival firms, can provide major competitive advantages in a global recession.
- E) means that it is in the same position as Sony.

Answer: B

Diff: 2

LO: 1.4: Define and give examples of key terms in strategic management.

AACSB: Reflective thinking

64) A vision statement identifies the scope of a firm's operations in product and market terms.

Answer: FALSE

Diff: 1

LO: 1.4: Define and give examples of key terms in strategic management.

AACSB: Written and oral communication

65) A vision statement describes an organization's values and priorities.

Answer: FALSE

Diff: 1

LO: 1.4: Define and give examples of key terms in strategic management.

AACSB: Written and oral communication

66) Strategists are usually found in higher levels of management and have considerable authority for decision making in the firm.

Answer: TRUE

Diff: 1

LO: 1.4: Define and give examples of key terms in strategic management.

AACSB: Reflective thinking

67) Middle managers are generally the most visible and critical of all strategic managers.

Answer: FALSE

Diff: 2

LO: 1.4: Define and give examples of key terms in strategic management.

AACSB: Analytical thinking

68) By the nature of what they do, strategists tend to have similar attitudes, values, ethics, and concerns for social responsibility.

Answer: FALSE

Diff: 2

LO: 1.4: Define and give examples of key terms in strategic management.

AACSB: Ethical understanding and reasoning

69) A vision statement commonly answers the question, "What is our business?" whereas a mission statement is more likely to answer the question "What do we want to become?"

Answer: FALSE

Diff: 3

LO: 1.4: Define and give examples of key terms in strategic management.

AACSB: Written and oral communication

70) Because the position of Chief Executive Officer (CEO) has assumed much responsibility for strategic management in the last five years, the number of firms with the position of Chief Strategy Officer (CSO) has diminished drastically during this period.

Answer: FALSE

Diff: 2

LO: 1.4: Define and give examples of key terms in strategic management.

AACSB: Analytical thinking

71) A clear mission statement describes the values and priorities of an organization.

Answer: TRUE

Diff: 1

LO: 1.4: Define and give examples of key terms in strategic management.

AACSB: Written and oral communication

72) In a multidivisional firm, objectives should be established for the overall company and not for each division.

Answer: FALSE

Diff: 2

LO: 1.4: Define and give examples of key terms in strategic management.

AACSB: Reflective thinking

73) Objectives should be measurable, challenging, reasonable, consistent, and clear.

Answer: TRUE

Diff: 1

LO: 1.4: Define and give examples of key terms in strategic management.

AACSB: Reflective thinking

74) Annual objectives are long-term milestones that organizations must achieve to reach short-term objectives.

Answer: FALSE

Diff: 2

LO: 1.4: Define and give examples of key terms in strategic management.

AACSB: Reflective thinking

75) Annual objectives are especially important in strategy formulation.

Answer: FALSE

Diff: 2

LO: 1.4: Define and give examples of key terms in strategic management.

AACSB: Reflective thinking

76) Identifying an organization's existing vision, mission, objectives, and strategies is the final step for the strategic-management process.

Answer: FALSE

Diff: 2

LO: 1.4: Define and give examples of key terms in strategic management.

AACSB: Analytical thinking

77) Determining opportunities and threats is generally the first step in strategic planning.

Answer: FALSE

Diff: 2

LO: 1.4: Define and give examples of key terms in strategic management.

AACSB: Written and oral communication

78) Anything a firm does especially well, compared to rival firms, could be considered a competitive advantage.

Answer: TRUE

Diff: 1

LO: 1.4: Define and give examples of key terms in strategic management.

AACSB: Reflective thinking

79) Once a firm acquires a competitive advantage, it is usually able to sustain it indefinitely.

Answer: FALSE

Diff: 3

LO: 1.4: Define and give examples of key terms in strategic management.

AACSB: Analytical thinking

80) In order for a firm to achieve sustained competitive advantage, a firm must continually adapt to changes in external trends and events and effectively formulate, implement, and evaluate strategies that capitalize upon those factors.

Answer: TRUE

Diff: 2

LO: 1.4: Define and give examples of key terms in strategic management.

AACSB: Analytical thinking

81) Explain who strategists are and what they do in an organization.

Answer: Strategists are individuals who are most responsible for the success or failure of an organization. They help an organization gather, analyze, and organize information. They track industry and competitive trends, develop forecasting models and scenario analyses, identify business threats, and develop creative action plans. Strategic planners usually serve in a support or staff role. Usually found in higher levels of management, they typically have considerable authority for decision making in the firm. The CEO is the most visible and critical strategic manager. Any manager who has responsibility for a unit or division, responsibility for profit and loss outcomes, or direct authority over a major piece of the business is a strategic manager (strategist). In the last few years, the position of chief strategy officer (CSO) has emerged as a new addition to the top management ranks of many organizations. This corporate officer title represents recognition of the growing importance of strategic planning in business.

Diff: 2

LO: 1.4: Define and give examples of key terms in strategic management.

AACSB: Reflective thinking

82) Discuss the differences between vision and mission statements.

Answer: Many organizations today develop a vision statement that answers the question "What do we want to become?" Developing a vision statement is often considered the first step in strategic planning, preceding even development of a mission statement. Many vision statements are a single sentence. For example, the vision statement of Stokes Eye Clinic in Florence, South Carolina, is "Our vision is to take care of your vision." Mission statements are "enduring statements of purpose that distinguish one business from other similar firms. A mission statement identifies the scope of a firm's operations in product and market terms." It addresses the basic question that faces all strategists: "What is our business?" A clear mission statement describes the values and priorities of an organization. Developing a mission statement compels strategists to think about the nature and scope of present operations and to assess the potential attractiveness of future markets and activities. A mission statement broadly charts the future direction of an organization and serves as a constant reminder to employees of why the organization exists and what its founders envisioned.

Diff: 2

LO: 1.4: Define and give examples of key terms in strategic management.

AACSB: Analytical thinking

83) Strategic management enables an organization to _____, instead of just responding to threats in its business environment.

- A) be proactive
- B) be immune to threats
- C) avoid responsibility for shaping its future
- D) relinquish control over its destiny
- E) be reactive

Answer: A

Diff: 2

LO: 1.5: Describe the benefits of engaging in strategic management.

AACSB: Analytical thinking

84) How do line managers become "owners" of the strategy?

- A) By attending top manager meetings
- B) By executing plans formulated by other people
- C) By involvement in the strategic-management process
- D) By becoming a shareholder of the firm
- E) By buying off top managers

Answer: C

Diff: 2

LO: 1.5: Describe the benefits of engaging in strategic management.

AACSB: Interpersonal relations and teamwork

85) Annually, _____ businesses in the United States fail.

- A) exactly 100
- B) less than 1,000
- C) about 10,000
- D) more than 100,000
- E) almost 10 million

Answer: D

Diff: 1

LO: 1.5: Describe the benefits of engaging in strategic management.

AACSB: Written and oral communication

86) Organizations using strategic management are generally _____ than those that do not.

- A) more profitable
- B) more complex
- C) less profitable
- D) less successful
- E) less complex

Answer: A

Diff: 2

LO: 1.5: Describe the benefits of engaging in strategic management.

AACSB: Reflective thinking

87) Strategic management offers all of the following benefits EXCEPT

- A) increased discipline.
- B) enhanced communication.
- C) increased synergy.
- D) increased resistance to change.
- E) more effective allocation of time and resources.

Answer: D

Diff: 2

LO: 1.5: Describe the benefits of engaging in strategic management.

AACSB: Reflective thinking

88) There is a dramatic shift in mass retailing to

- A) "trading up" and taking customers from more exclusive stores.
- B) selling only the most expensive merchandise.
- C) opening dramatically larger supercenters.
- D) operating stores with less square footage.
- E) cutting back on their online presence.

Answer: D

Diff: 2

LO: 1.5: Describe the benefits of engaging in strategic management.

AACSB: Analytical thinking

89) More than _____ businesses in the United States fail annually.

- A) 25,000
- B) 50,000
- C) 75,000
- D) 100,000
- E) 125,000

Answer: D

Diff: 2

LO: 1.5: Describe the benefits of engaging in strategic management.

AACSB: Reflective thinking

90) Through involvement in the strategic-planning process, _____ must become "owners" of the strategy.

- A) line managers
- B) shareholders
- C) customers
- D) suppliers
- E) stakeholders

Answer: A

Diff: 1

LO: 1.5: Describe the benefits of engaging in strategic management.

AACSB: Reflective thinking

91) Commitment and understanding may be the most important benefits of strategic management.

Answer: TRUE

Diff: 2

LO: 1.5: Describe the benefits of engaging in strategic management.

AACSB: Analytical thinking

92) The best approach for strategists is to carefully develop strategic plans themselves and then present them to operating managers to execute.

Answer: FALSE

Diff: 3

LO: 1.5: Describe the benefits of engaging in strategic management.

AACSB: Interpersonal relations and teamwork

93) Firms with planning systems more closely resembling strategic-management theory generally exhibit superior long-term financial performance relative to their industries.

Answer: TRUE

Diff: 2

LO: 1.5: Describe the benefits of engaging in strategic management.

AACSB: Reflective thinking

94) Low-performing firms typically underestimate their competitor's strengths and overestimate their own strengths.

Answer: TRUE

Diff: 2

LO: 1.5: Describe the benefits of engaging in strategic management.

AACSB: Reflective thinking

95) Some of the benefits of strategic management are increased discipline, enhanced communication, and more effective allocation of time and resources.

Answer: TRUE

Diff: 2

LO: 1.5: Describe the benefits of engaging in strategic management.

AACSB: Reflective thinking

96) Firms can be more proactive with strategic management.

Answer: TRUE

Diff: 2

LO: 1.5: Describe the benefits of engaging in strategic management.

AACSB: Reflective thinking

97) While the number of people shopping online has increased, the average amount spent per person online has decreased.

Answer: FALSE

Diff: 2

LO: 1.5: Describe the benefits of engaging in strategic management.

AACSB: Reflective thinking

98) Enhanced awareness of external threats is a financial benefit of strategic management.

Answer: FALSE

Diff: 2

LO: 1.5: Describe the benefits of engaging in strategic management.

AACSB: Analytical thinking

99) Substantial research indicates that a healthier workforce can more effectively and efficiently implement strategies.

Answer: TRUE

Diff: 2

LO: 1.5: Describe the benefits of engaging in strategic management.

AACSB: Reflective thinking

100) List any five nonfinancial benefits to a firm that engages in strategic management.

Answer: There are a number of benefits to a firm that engages in strategic management.

Students are to list any five of the following: 1. increased discipline; 2. improved coordination; 3. enhanced communication; 4. reduced resistance to change; 5. increased forward thinking; 6. improved decision making; 7. increased synergy; 8. more effective allocation of time and resources.

Diff: 2

LO: 1.5: Describe the benefits of engaging in strategic management.

AACSB: Reflective thinking

101) What nonfinancial benefits does strategic management offer a firm?

Answer: Besides offering a number of financial benefits, strategic management offers firms many other tangible benefits which are essentially nonfinancial in nature. These include enhanced awareness of external threats, improved understanding of competitors' strategies, increased employee productivity, reduced resistance to change, and a clearer understanding of performance-reward relationship.

Diff: 3

LO: 1.5: Describe the benefits of engaging in strategic management.

AACSB: Analytical thinking

102) Which of the following is NOT a reason given for poor or no strategic planning in an organization?

- A) Planning is viewed as a waste of time
- B) Content with current success
- C) Too busy "firefighting" to plan ahead
- D) No monetary rewards for planning
- E) Trust of management makes it unnecessary

Answer: E

Diff: 2

LO: 1.6: Explain why some firms do not engage in strategic planning in all instances.

AACSB: Reflective thinking

103) The lack of monetary rewards is one cause of managers not engaging in strategic planning.

Answer: TRUE

Diff: 2

LO: 1.6: Explain why some firms do not engage in strategic planning in all instances.

AACSB: Reflective thinking

104) Internal crises give an organization's managers extra time needed to plan ahead.

Answer: FALSE

Diff: 1

LO: 1.6: Explain why some firms do not engage in strategic planning in all instances.

AACSB: Analytical thinking

105) List any five of the reasons given for why some firms do no strategic planning.

Answer: Ten reasons are stated; students should list any five of the following: 1. no formal training in strategic management; 2. no understanding of or appreciation for the benefits of planning; 3. no monetary rewards for doing planning; 4. no punishment for not planning; 5. too busy "firefighting" (resolving internal crises) to plan ahead; 6. to view planning as a waste of time, since no product/service is made; 7. laziness; effective planning takes time and effort; time is money; 8. content with current success; failure to realize that success today is not a guarantee for success tomorrow (even Apple Inc. is an example); 9. overconfident; 10. prior bad experience with strategic planning done sometime/somewhere.

Diff: 2

LO: 1.6: Explain why some firms do not engage in strategic planning in all instances.

AACSB: Reflective thinking

106) All of these are pitfalls an organization should avoid in strategic planning EXCEPT

- A) using plans as a standard for measuring performance.
- B) using strategic planning to gain control over decisions and resources.
- C) failing to involve key employees in all phases of planning.
- D) too hastily moving from mission development to strategy formulation.
- E) being so formal in planning that flexibility and creativity are stifled.

Answer: A

Diff: 2

LO: 1.7: Describe the pitfalls in actually doing strategic planning.

AACSB: Reflective thinking

107) Which of the following is NOT a pitfall an organization should avoid in strategic planning?

- A) Failing to communicate the plan to employees
- B) Involving all managers rather than delegating planning to a "planner"
- C) Top managers not actively supporting the strategic-planning process
- D) Doing strategic planning only to satisfy accreditation or regulatory requirements
- E) Failing to create a collaborative climate supportive of change

Answer: B

Diff: 2

LO: 1.7: Describe the pitfalls in actually doing strategic planning.

AACSB: Reflective thinking

108) Making many intuitive decisions that conflict with the formal plan is a pitfall in strategic planning.

Answer: TRUE

Diff: 2

LO: 1.7: Describe the pitfalls in actually doing strategic planning.

AACSB: Reflective thinking

109) Managers must be very formal in strategic planning in order to foster flexibility and creativity.

Answer: FALSE

Diff: 1

LO: 1.7: Describe the pitfalls in actually doing strategic planning.

AACSB: Analytical thinking

110) Identify any five pitfalls in strategic planning for which management should watch out.

Answer: Thirteen pitfalls are stated. Students should list any five of the following: 1. using strategic planning to gain control over decisions and resources; 2. doing strategic planning only to satisfy accreditation or regulatory requirements; 3. too hastily moving from mission development to strategy formulation; 4. failing to communicate the plan to employees, who continue to work in the dark; 5. top managers making many intuitive decisions that conflict with the formal plan; 6. top managers not actively supporting the strategic-planning process; 7. failing to use plans as a standard for measuring performance; 8. delegating planning to a "planner" rather than involving all managers; 9. failing to involve key employees in all phases of planning; 10. failing to create a collaborative climate supportive of change; 11. viewing planning to be unnecessary or unimportant; 12. becoming so engrossed in current problems that insufficient or no planning is done; and 13. being so formal in planning that flexibility and creativity are stifled.

Diff: 2

LO: 1.7: Describe the pitfalls in actually doing strategic planning.

AACSB: Reflective thinking

111) Terms such as objectives, mission, strengths, and weaknesses were first formulated to address problems

A) on the battlefield.

B) in the boardroom.

C) on the trading floor.

D) in the military hierarchy.

E) in interpersonal relationships.

Answer: A

Diff: 2

LO: 1.8: Discuss the connection between business and military strategy.

AACSB: Reflective thinking

112) According to Webster's New World Dictionary, _____ is "the science of planning and directing large-scale military operations, of maneuvering forces into the most advantageous position prior to actual engagement with the enemy."

A) competitive advantage

B) war

C) strategy

D) formulation

E) business

Answer: C

Diff: 1

LO: 1.8: Discuss the connection between business and military strategy.

AACSB: Reflective thinking

- 113) Business or military success is
- A) generally the happy result of accidental strategies.
 - B) undermined by the element of surprise.
 - C) the product of both attention to changing external and internal conditions and the insightful adaptations to those conditions.
 - D) unrelated to external conditions.
 - E) unrelated to internal conditions.

Answer: C

Diff: 2

LO: 1.8: Discuss the connection between business and military strategy.

AACSB: Reflective thinking

- 114) Superior strategy formulation and implementation _____ an opponent's superiority in numbers and resources.

- A) are irrelevant to
- B) are not enough to surmount
- C) can overcome
- D) can lead to
- E) unite

Answer: C

Diff: 1

LO: 1.8: Discuss the connection between business and military strategy.

AACSB: Reflective thinking

- 115) A strong _____ heritage underlies the study of strategic management.

- A) military
- B) government
- C) political
- D) social
- E) cultural

Answer: A

Diff: 1

LO: 1.8: Discuss the connection between business and military strategy.

AACSB: Reflective thinking

- 116) Military strategy is based on an assumption of _____, whereas business strategy is based on an assumption of _____.

- A) conflict; cooperation
- B) conflict; competition
- C) cooperation; conflict
- D) competition; conflict
- E) cooperation; competition

Answer: B

Diff: 2

LO: 1.8: Discuss the connection between business and military strategy.

AACSB: Reflective thinking

117) Both business and military organizations must _____ and _____ to be successful.

- A) be impervious to change; continually improve
- B) adapt to change; constantly improve
- C) shun change; stay the course
- D) be impervious to change; stay the course
- E) none of the above

Answer: B

Diff: 2

LO: 1.8: Discuss the connection between business and military strategy.

AACSB: Reflective thinking

118) Military success is usually the happy result of accidental strategies, but business success is the product of continuous attention to changing conditions and insightful adaptations to those conditions.

Answer: FALSE

Diff: 1

LO: 1.8: Discuss the connection between business and military strategy.

AACSB: Reflective thinking

119) Despite some exceptions, business strategy is very different than military strategy.

Answer: FALSE

Diff: 2

LO: 1.8: Discuss the connection between business and military strategy.

AACSB: Analytical thinking

120) The element of surprise provides great competitive advantages in both military and business strategy.

Answer: TRUE

Diff: 1

LO: 1.8: Discuss the connection between business and military strategy.

AACSB: Reflective thinking

121) Both military and business strategy are formulated, implemented, and evaluated with an assumption of competition.

Answer: FALSE

Diff: 2

LO: 1.8: Discuss the connection between business and military strategy.

AACSB: Analytical thinking

122) Superior strategy formulation is an advantage, but it cannot overcome an opponent's superiority in numbers and resources.

Answer: FALSE

Diff: 2

LO: 1.8: Discuss the connection between business and military strategy.

AACSB: Analytical thinking

123) Compare and contrast business and military strategy.

Answer: In many respects, business strategy is like military strategy, and military strategists have learned much over the centuries that can benefit business strategists today. A key aim of both business and military strategy is "to gain competitive advantage." They both also try to use their own strengths to exploit competitor's weaknesses. Success is not the happy result of accidental strategies in either business or military organizations. The element of surprise provides great competitive advantages in both military and business strategy. Information systems that provide data on opponents' or competitors' strategies and resources are also vitally important. Finally, both business and military organizations must adapt to change and constantly improve to be successful. While business and military strategy are the same in many ways, they have one major difference—business strategy is formulated, implemented and evaluated with an assumption of competition, whereas military strategy is based on an assumption of conflict.

Diff: 2

LO: 1.8: Discuss the connection between business and military strategy.

AACSB: Analytical thinking