

The Strategic Management Process

True / False Questions

1. Teach For America has an inspiring mission but it also pays above-average salaries to attract nearly 50,000 applicants each year.

True False
2. The strategic management process describes the method by which managers conceive of and implement a strategy that can lead to a sustainable competitive advantage.

True False
3. Strategic intent is used by firms to help define their short-term objectives.

True False
4. A mission describes what an organization actually does, what its business is, and why it does it.

True False
5. A company's mission should be customer-oriented because this helps the firm retain flexibility in changing environments.

True False
6. Top-down strategic planning works best in more uncertain situations because the firm hand of senior leadership is best at seeing the future.

True False
7. In the implementation stage of scenario planning, managers will activate the dominant strategic plan.

True False
8. Organizational learning and flexibility are enhanced by the circular nature of scenario planning.

True False

9. Realized strategy is a top-down process by which executives design a rational and structured strategic plan.

True False

10. Intended strategy is the combination of emergent and realized strategies.

True False

11. A situation when part or all of a firm's strategic plan falls by the wayside due to unexpected events is called an unrealized strategy.

True False

12. Managers may use a combination of intended and emergent strategy to create a realized strategy.

True False

13. Resource Allocation Process (RAP) describes the way in which resources are allocated, and argues that it is critical in shaping a firm's realized strategy.

True False

14. The Real Options approach was used by Microsoft in its decision to close down the Keywords initiative.

True False

Multiple Choice Questions

15. Teach For America (TFA) recruits recent college graduates and professionals to teach for a two-year commitment in socially and economically disadvantaged communities. What is a major component of their recruiting campaign for applicants?

A. An extensive network to use for job openings at the end of two years of service.

B. An inspiring mission to eliminate educational inequality.

C. Significant supplemental income for the TFA workers while in the field.

D. Scholarships for graduate programs at the end of the two years.

16. Teach For America (TFA) has an inspiring mission, which is to eliminate educational inequality in the U.S. What is a major benefit discussed that TFA garnered by effectively using this mission?
- A. An extensive network to use for job openings at the end of two years of service.
 - B. Significant supplemental income for the TFA workers while in the field.
 - C. Scholarships for graduate programs at the end of the two years.
 - D. A large number of applicants driving a highly selective group in the teaching jobs.
17. The process that describes the method by which managers conceive of and implement a strategy that can lead to a sustainable competitive advantage is called what?
- A. Strategic process
 - B. Strategic technology
 - C. Strategic management
 - D. Strategic planning
18. When it comes to a firm's vision, mission, and values, it can be said that:
- A. Once instituted in the organization, the vision, mission, and values of a firm should be left alone, regardless of whether the company is successful or not.
 - B. New firms have to create these by using a driving vision to shape their mission and values, and existing firms should fine-tune their mission and values and reaffirm their values periodically.
 - C. New firms should modify their vision, mission, or values as they grow, but established firms should stick to what has worked in the past.
 - D. Existing firms should regularly discard their vision and mission in a renewal process.
19. The analogy about building a new home is relevant to strategy because you use vision, mission, and values to begin with the end in mind. Strategic success must be created twice. Once by creating a clear mental picture of what the firm wants to accomplish and second _____.
- A. by formulating and implementing a strategy to make the vision a reality
 - B. by holding department meetings to communicate the vision
 - C. to create a strong value system that will bind the company together in tough times
 - D. by creating a blueprint for the organization to use in creating new mission statements

20. In order for managers to determine the vision, mission, and values for their organization, they should:
- A. Begin by asking "What is our competitive advantage?"
 - B. Determine what strategic group they belong to first.
 - C. Begin with the "end in mind."
 - D. Seek employee feedback.
21. Visionary companies differ from their competition in that:
- A. Employees in visionary organizations find meaning in their work and are motivated.
 - B. A visionary company focuses on scenario planning and future competitive threats.
 - C. In a visionary company it is the CEO's managerial style that gives the company its emergent strategy.
 - D. Visionary companies typically emphasize measuring financial performance.
22. Staking out a desired leadership position that far exceeds a company's current resources and capabilities is called what?
- A. Strategic planning
 - B. Strategic management
 - C. Strategic intent
 - D. Strategic process
23. Chinese companies such as BYD and Lenovo made global leadership their mission. One of the tools they used to accomplish this position is what?
- A. Stretch goals
 - B. Efficient goals
 - C. Reach goals
 - D. Enhanced goals
24. Strategic intent is considered to be forward-looking and future-oriented. It is most useful in situations where _____.
- A. large firms are close competitors with others
 - B. all the firms competing in a market are very similar
 - C. small firms are wanting to compete against bigger, more established firms
 - D. the dominant plan from a scenario planning process is identified

25. As noted in Strategy Highlight 2.1, the small Japanese company with the electric rice cooker faced very long odds in getting a license from Bell Labs for using their transistor. The end result of the effort to get the license was what?

- A. The Japanese firm got the license but was not able to produce the desired radio.
- B. The Japanese firm got the license and used it successfully in their rice cooker.
- C. The Japanese firm introduced the first pocket-sized radio, but the market was not ready for it and sales were weak.
- D. The Japanese firm introduced the world's first pocket-sized radio to great market success.

26. As noted in Strategy Highlight 2.1, the small Japanese company with the electric rice cooker became the highly successful firm Sony. However, more recently Sony has not performed very well. To what can this be attributed?

- A. Large competitive pressures in their strategic group has cost Sony much market share and thus revenue opportunity.
- B. A failure to set new stretch goals after accomplishing many of their older ones.
- C. The strategic planning process was highly flawed.
- D. The recent economic downturn was too much for the firm to adjust to.

27. A mission describes _____.

- A. what a business will do in the future
- B. what a business actually does and why it does it
- C. what the norms are of the business
- D. what the business has done historically

28. When an organization briefly describes what its business is about and why it does it, they have articulated a _____.

- A. Values statement
- B. Mission statement
- C. Strategic plan
- D. Competitive advantage

29. When Disney says its mission is "to make people happy," they translate that mission into which of the following actions as discussed in the text?
- A. Employees are screened for their acting ability at all levels of the organization.
 - B. They bought Pixar to make more movies that audiences would enjoy.
 - C. They adjust their ticket prices seasonally to meet customer demand.
 - D. Employees are cast members to help the customers enjoy the "show" throughout the park.
30. Customer-oriented missions are defined as _____.
- A. providing solutions to employee needs
 - B. providing solutions to customer needs
 - C. providing solutions to executive needs
 - D. providing solutions to stockholder needs
31. Which of the following is NOT true concerning a customer-oriented mission?
- A. It defines the means of how a customer need will be met.
 - B. It has more flexibility than a product-oriented mission.
 - C. It has a higher likelihood of remaining relevant in the long-term.
 - D. Organizations that have customer-oriented missions are more likely to be successful.
32. It is important to separate having a customer-oriented mission from listening to your customers. If Henry Ford had merely listened to his customers of 100 years ago what would he have done?
- A. He would have teamed up with the Wright brothers in making bicycles.
 - B. He would have built more comfortable passenger cars for trains.
 - C. He would have built a better horse and buggy.
 - D. He would have invested in steam ships for riding the Ohio and Mississippi rivers.
33. A business statement defined in terms of a good or service provided is called a _____.
- A. customized mission
 - B. service-centered mission
 - C. product-oriented mission
 - D. customer-centered mission

34. Many of the early U.S. railroad companies defined themselves as being in the railroad business instead of being in the transportation needs business. These companies used _____.

- A. resource-based missions
- B. customer-oriented missions
- C. product-oriented missions
- D. responsive missions

35. Which one of the following best describes a product-oriented mission?

- A. It defines the means of how a customer need will be met.
- B. It is the best type of mission for most firms to have.
- C. It has a higher likelihood of remaining relevant in the long-term.
- D. It defines a business in terms of a good or service provided.

36. If the early U.S. railroad companies defined themselves as being in the transportation needs business, which is more customer-oriented, they might have successfully moved into what product/service before any other firm?

- A. Commercial aviation (such as Delta and United)
- B. Modern shipping and logistics (such as FedEx and UPS)
- C. International cargo containers on large ocean ships
- D. Fuel efficient automobiles (such as Toyota and Ford)

37. Mission statements can also be used to help refocus a firm on its main line of business. One example of this given in the text is:

- A. Ben & Jerry's expanding beyond ice cream into other food categories.
- B. Disney selling off its theme parks to focus on movies.
- C. Shell Canada selling off its chemicals and forestry businesses.
- D. Ford Motors moving into hybrid cars and SUVs.

38. Better World Books (BWB) wanted to fight illiteracy by donating 50 percent of its revenues, as stated in its mission. The fact that it had to later reduce the donation amount to between 7-10 percent is a reflection of the fact that:
- A. The declared mission of an organization can sometimes negatively impact its financial performance.
 - B. The declared mission of an organization is often too complicated to execute.
 - C. The declared mission of an organization needs to be product-oriented.
 - D. The declared mission of an organization should not include financial measurements.
39. It has been found that visionary companies outperform other companies by more than 1,400 percent. One reason for this is:
- A. Their stated missions encapsulate their aspirations.
 - B. Their employees are better trained.
 - C. They are focused on profits.
 - D. They are typically start-ups and are thus more highly motivated.
40. Mission statements have been shown to be associated with firm performance. In many cases, organizations with sound missions are more successful; however, what is far less clear is _____.
- A. that customer-oriented missions provide more flexibility than product-oriented ones
 - B. whether this mission actually *causes* a firm to have a competitive advantage
 - C. whether missions can be inspirational for both employees and customers
 - D. whether the mission should describe what the firm actually does
41. Intel is provided as an example of a firm that has continuously changed its mission statement, including most recently moving to a customer-focused mission. This is an indication of what?
- A. Missions are best left as they were originally crafted for the firm.
 - B. Intel's mission likely created its superior performance over this period.
 - C. Missions can be inspirational for both employees and customers.
 - D. The mission was changed *after* Intel had already changed its business focus.

42. Johnson Homes was a real estate development firm with \$25 million in available capital. The owner's mission was to "develop the highest-quality housing communities that deliver the ultimate lifestyle." His goal was to build high-end homes on a lake and develop biking trails and other recreational offerings. In order to accomplish this, he needed to pay 15 million dollars for a 10-year project to put in new water facilities, pave new entry and exit roads, and hire consultants to help him navigate state, city, and county regulations. Four years into the project, the owner did not hire the consultants and had only invested 25 percent of the required capital to build the water facility. In addition, he began to travel frequently and did not listen to his employees' complaints. Not surprisingly, the company went bankrupt. Which of these statements is most likely to be true?
- A. The company failed because it did not have sufficient financial resources.
 - B. The company failed because it was too diversified.
 - C. The company failed because it was not backed up with strategic commitment.
 - D. The company failed because it was not a visionary company.
43. To be effective, firms must implement their mission statements in strategic actions. The decision that Boeing made to develop the 787 Dreamliner is an example of what?
- A. A costly and long-term strategic commitment
 - B. An attempt to win U.S. military contracts
 - C. The results of an emergent strategy
 - D. A customer-oriented mission statement
44. McKesson, a \$110 billion health care company, is provided as an example firm with clear and compelling organizational values. All of the following items are examples of living the values EXCEPT which one?
- A. The ethics and behavior models are the cornerstones of building the business.
 - B. ICARE values are printed out on all their marketing materials for new customers.
 - C. Employees worked long overtime hours to meet urgent needs during hurricane Katrina.
 - D. The ICARE values serve as a framework for how to deal with their customers.
45. Organizational values help people make choices that are ethical and company-goal-oriented. These values answer which strategic management question?
- A. What do we want to accomplish as a firm?
 - B. How do we accomplish our goals in the organization?
 - C. What are we about as a firm relative to our competitors?
 - D. What is the best way to compete in the marketplace?

46. The ethical standards and norms that should govern the behavior of the individuals within the firm are called what?
- A. Values
 - B. The mission
 - C. The strategic plan
 - D. Competitive advantage
47. A set of values illustrates the firm's _____.
- A. choice of where to do business
 - B. definition of what business is and why it does it
 - C. ethical standards and norms
 - D. positioning of what the business did in the past
48. Google's decision in 2010 to pull its servers out of mainland China and operate out of Hong Kong was a response to what?
- A. A drive to increase profits with a broader footprint in Asia.
 - B. A request from the Chinese government to leave the country.
 - C. A move to cut costs due to intense competition with the local search firm Baidu.
 - D. Google's decision to stop using self-censoring, as required by the Chinese government to stay operating in mainland China.
49. The 2001 collapse of Enron, resulting in one of the biggest bankruptcies in U.S. history, demonstrates that:
- A. An organization may have a mission statement promoting ethical behavior, but it must have strong organizational values to guide the behavior of employees.
 - B. Employees observe managerial behavior and tend to follow it.
 - C. Having strong ethical values inside an organization is important for long-term success.
 - D. All of these.

50. The 2001 collapse of Enron resulted in the loss of jobs for over 20,000 employees. Arthur Anderson was also impacted by the Enron collapse and 30,000 employees lost their jobs. Why was Arthur Anderson so adversely affected by Enron's collapse?
- A. Enron was a major client and Arthur Anderson could not survive the business downturn from the bankruptcy.
 - B. The firm was an accomplice in the accounting scandal at Enron.
 - C. Arthur Anderson was the target of a hostile takeover directly after Enron's collapse.
 - D. The accounting firm decided to get out of the entire energy sector as a result of the collapse of Enron.
51. When strategizing for competitive advantage, managers rely on different approaches that can complement one other. Which one of the following is NOT an approach a firm may use?
- A. Strategic planning
 - B. Strategy as planned emergence
 - C. Strategy implantation
 - D. Scenario planning
52. Shell Oil is provided as an example of a firm effectively using scenario planning. In the 1960s, they prepared for a strong OPEC and therefore rising oil prices. What are they now predicting about future energy needs?
- A. Energy needs will continue to grow, spurred by BRIC countries.
 - B. In 2025, that 20 percent of our energy will be generated from renewable technologies.
 - C. That the Middle East leadership will fracture and oil prices will drop.
 - D. In 2025, that 50 percent of our energy will be generated from renewable technologies.
53. The strategic management process follows which strategy framework?
- A. AFI; Analyze-Formulate-Implement
 - B. AFE; Analyze-Formulate-Execute
 - C. API; Analyze-Plan-Implement
 - D. APE; Analyze-Plan-Execute

54. When managers envision different what-if scenarios to anticipate possible futures, the approach that is used is called:
- A. Strategic planning
 - B. Strategy as planned emergence
 - C. Strategy implantation
 - D. Scenario planning
55. Strategic planning differs from scenario planning in that:
- A. Strategic planning is long-term planning; scenario planning is not.
 - B. Strategic planning is bottom-up from the employees, and scenario planning is top-down from the CEO.
 - C. Strategic planning is performed by many layers in the organization, while scenario planning is limited to top executives.
 - D. Strategic planning assumes that future success can be predicted; scenario planning allows for more unforeseen events.
56. A dominant strategic plan in the scenario planning tool is which of the following managerial options?
- A. It most accurately matches reality.
 - B. It matches the intended strategy.
 - C. It will be the only correct strategic plan.
 - D. It will be the only correct competitive advantage plan.
57. In scenario planning, what is the key question to ask to begin to generate different scenarios?
- A. What's happening now?
 - B. Where are we?
 - C. What if?
 - D. Where are we going?

58. Questions such as "What resources do we need if this happens?" and "How can we shape our anticipated future environment?" are performed under what stage of the AFI framework?
- A. The formulation stage
 - B. The forecasting stage
 - C. The installation stage
 - D. The iteration stage
59. The fact that many organizations were caught off-guard by the recent economic downturn reflects that:
- A. It is impossible to prepare for future situations.
 - B. There is a tendency to ignore negative outcomes when creating future scenarios.
 - C. "What if" questions are actually not that useful.
 - D. Managers usually wait until it is too late to implement strategic initiatives.
60. One of Henry Mintzberg's criticisms of the strategic planning process is that:
- A. It does not allow for strategic thinking.
 - B. It rarely, if ever, gets implemented.
 - C. It is too reliant on employee feedback.
 - D. Managers do not like to use it.
61. Strategic flexibility is achieved by:
- A. Managers developing a dominant plan and sticking to it.
 - B. Managers responding when reality changes by activating alternate dominant plans.
 - C. Ignoring feedback from the marketplace while creating new plans.
 - D. Breaking the cycle of strategic planning-monitoring-responding.
62. Strategic thinking is different than strategic planning in that:
- A. Strategic thinking includes "soft" information and employee experience; strategic planning does not.
 - B. Strategic thinking relies more on hard numbers than strategic planning.
 - C. There really isn't that much that differentiates the two.
 - D. Strategic thinking can create an illusion of control, while strategic planning avoids this.

63. Nucor Corporation is the largest steel company in the U.S., has been profitable for decades, and has never laid off an employee. Yet, Nucor has no written strategic plan, no written mission statement and no written objectives. What does this tell us?
- A. Nucor should have had written these down but they were fortunate because they had first-mover advantages.
 - B. Nucor is a monopoly and therefore it is not important to have written plans, mission statements, or objectives.
 - C. Not having a written strategic plan does not indicate a lack of strategy; it is the pattern of actions across the organization that is important.
 - D. Not having a written strategic plan could make Nucor vulnerable in the future because it does not have a strong organizational culture.
64. Employees at Google spend one day a week working on their own ideas. This is an example of a _____.
- A. planned initiative
 - B. strategic initiative
 - C. product-oriented strategy
 - D. consumer-oriented strategy
65. What is wrong with the following statement? "Intended strategies tend to be generated using a bottom-up approach."
- A. Intended strategies are generated through emergent ideas.
 - B. Intended strategy is the final result of the AFI process.
 - C. Intended strategies lose the unrealized strategies along the process.
 - D. Intended strategies are generated using a top-down approach.
66. Any unplanned strategic initiative undertaken by mid-level employees of their own volition is a(n) _____.
- A. dominant strategic plan
 - B. developing strategy
 - C. emergent strategy
 - D. strategic initiative

67. The strategy originally planned by senior management is known as:

- A. Purposed strategy
- B. Impact strategy
- C. Intended strategy
- D. Emergent strategy

68. Firms that are willing to pursue exploring and developing new products and processes, and thus new markets or new ventures, by definition use a(n) _____.

- A. emergent strategy
- B. developing strategy
- C. dominant strategic plan
- D. strategic initiative

69. Animals Doll Company has manufactured and sold children's dolls for 25 years. In order to keep costs low, it sources its materials from China. An employee in one of its retail stores has noticed that there is increasing concern regarding the potential toxicity of the materials in the dolls. In response, she researched and found a supplier that provides organic, non-toxic cloth and filling. She has taken this information to her manager and has suggested that the company consider producing dolls with these materials. This is an example of:

- A. A rational planning approach to strategy.
- B. An emergent strategy process.
- C. A good use of scenario planning.
- D. A new dominant action plan.

70. Strategic initiatives describe the activities of firms when they explore and develop new products and processes, and new markets or new ventures. Where do strategic initiatives come from within the organization?

- A. They may be the result of top-down OR bottom-up processes.
- B. They only emerge using a bottom-up process.
- C. They only result from a top-down approach.
- D. None of these.

71. In Strategy Highlight 2.3, what type of strategy is the store manager of Starbucks using to develop new drinks for the stores?
- A. She is using a rational planning approach to strategy.
 - B. She is creating a dominant strategy plan.
 - C. She is using scenario planning.
 - D. She is using an emergent strategy process.
72. Based on external and internal analyses, top-level executives design a rational and structured strategic plan that is called _____.
- A. scenario planning
 - B. an emergent strategy
 - C. an intended strategy
 - D. an unrealized strategy
73. Unrealized strategy is when a part of the firm's strategy _____.
- A. is discontinued due to unexpected events
 - B. is evaluated because of expected events
 - C. is eliminated due to expected events
 - D. is incorporated due to unexpected events
74. The combination of intended and emergent strategies is called a(n) _____.
- A. unrealized strategy
 - B. realized strategy
 - C. dominant strategy
 - D. developing strategy
75. Bottom-up strategies can emerge as a consequence of the firm's RAP. What is the meaning of RAP?
- A. Realized Allowance Process
 - B. Resource Allowance Program
 - C. Resource Allocation Process
 - D. Realized Allocation Program

76. Understanding the Resource Allocation Process (RAP) will have large effects on shaping a firm's realized strategy. Which of the following is an example of such an allocation of resources?
- A. Starbucks' launch of iced drinks
 - B. Teach For America's mission statement
 - C. Shell's prediction about future energy sources
 - D. Intel's rule to "maximize margin-per-wafer-start"
77. Japan Railways diversifying into bottled water is an example of turning a problem into a business opportunity. What type of strategy process does this represent?
- A. Top-down strategic planning
 - B. An emergent strategy
 - C. An unrealized strategy
 - D. Scenario planning
78. One concept behind linking RAP, decision making, and strategy is:
- A. How an organization uses its resources drives the decisions it makes, which can alter the strategy.
 - B. Decision making is based on realized strategy, not the resources available.
 - C. Firm resources and decision making do not affect intended strategy except in times of crisis.
 - D. In line with the tenets of strategic planning on a five-year cycle.
79. Planned emergence in strategy-making is when:
- A. An organization plans to emerge into a new market using current initiatives.
 - B. An organization has a succession plan when the current CEO is preparing to retire.
 - C. An organization communicates its strategy to the lower levels during a planned event.
 - D. An organization allows bottom-up initiatives to emerge and be considered by the top.
80. Managers may use _____ perspective to decision making where a large investment decision is broken down into a set of smaller decisions that are staged sequentially over time to obtain more information.
- A. a real options
 - B. a realized strategy
 - C. a net present value
 - D. scenario planning

81. A real options perspective is similar to what corporate finance tool?

- A. Present volume
- B. Future value
- C. Net present value
- D. Current yield

82. Applying a real options perspective to strategic decision making allows for:

- A. Breaking investment decisions into smaller, staged phases while obtaining new information about the project viability as it continues.
- B. Calculating the net present value of an investment and deciding whether or not to complete the project from the start.
- C. Starting a project with a realistic perspective that the organization will not be able to achieve competitive advantage with.
- D. Making sure that the project is customer-oriented as opposed to product-oriented.

83. Real options is a business decision and is seen as _____.

- A. a right and an obligation
- B. a right and not an obligation
- C. risky and mandatory
- D. a requirement for doing business

84. As revealed in the Teach For America case, teacher effectiveness improves if their course objectives do what?

- A. Follow the standardized tests
- B. Are creative and repetitive in nature
- C. Focus on material in the course
- D. Are student-achievement oriented

Short Answer Questions

85. Explain what questions managers need to ask first to begin the strategic management process.

86. Values define the ethical standards and norms that should govern the behavior of the individuals within the firms. Describe two important functions of strong ethical values.

87. How does a mission statement differ from a firm's values?

88. Some firms have customer-oriented missions, while others have product-oriented missions. What is the difference between the two and which one is most often preferred?
89. Explain why some firms may use strategic intent.
90. Disney's mission is to make people happy. Better World Books' mission is to collect and sell books online to fund literacy initiatives worldwide. How have these mission statements impacted firm performance? Do mission statements affect competitive advantage?

91. Explain the three different approaches that managers rely on when it comes to strategizing for competitive advantage.

92. What is the main intention of firms when they use scenario planning?

93. Describe how a dominant strategic plan is used within the implementation stage.

94. Compare and contrast realized and unrealized strategy.

95. How is a real options perspective different from calculating the net present value?

Chapter 02 The Strategic Management Process **Answer Key**

True / False Questions

1. Teach For America has an inspiring mission but it also pays above-average salaries to attract nearly 50,000 applicants each year.
(p. 31)

FALSE

The Teach For America applicants earn the same pay as other teachers in the school in which they teach.

AACSB: Analytic
Blooms: Understand
Difficulty: 1 Easy

Learning Objective: 02-01 Explain the role of vision; mission; and values in the strategic management process.
Topic: Vision, Mission, and Values

2. The strategic management process describes the method by which managers conceive of and implement a strategy that can lead to a sustainable competitive advantage.
(p. 32)

TRUE

This is the definition of strategic management.

AACSB: Analytic
Blooms: Understand
Difficulty: 2 Medium

Learning Objective: 02-01 Explain the role of vision; mission; and values in the strategic management process.
Topic: Vision, Mission, and Values

3. Strategic intent is used by firms to help define their short-term objectives.
(p. 33)

FALSE

It is used for longer-term visions for the organization.

AACSB: Analytic
Blooms: Understand
Difficulty: 2 Medium

Learning Objective: 02-02 Describe and evaluate the role of strategic intent in achieving long-term goals.
Topic: Vision, Mission, and Values

4. A mission describes what an organization actually does, what its business is, and why it does it.
(p. 34)

TRUE

This is the definition of a mission.

AACSB: Analytic
Blooms: Understand
Difficulty: 1 Easy

Learning Objective: 02-03 Distinguish between customer-oriented and product-oriented missions and identify strategic implications.
Topic: Vision, Mission, and Values

5. A company's mission should be customer-oriented because this helps the firm retain flexibility in changing environments.
(p. 34-35)

TRUE

Customer-oriented mission statements are preferred to product-oriented for increased flexibility.

AACSB: Analytic
Blooms: Understand
Difficulty: 2 Medium

Learning Objective: 02-03 Distinguish between customer-oriented and product-oriented missions and identify strategic implications.
Topic: Vision, Mission, and Values

6. Top-down strategic planning works best in more uncertain situations because the firm hand of senior leadership is best at seeing the future.
(p. 40)

FALSE

Top-down planning works best in relatively constant environments.

AACSB: Analytic
Blooms: Understand
Difficulty: 2 Medium

Learning Objective: 02-06 Compare and contrast strategic planning; scenario planning; and strategy as planned emergence; and discuss strategic implications.
Topic: Strategizing for Competitive Advantage: How is Strategy "Made"?

7. In the implementation stage of scenario planning, managers will activate the dominant strategic plan.
(p. 42)

TRUE

This is the definition of the implementation stage of scenario planning.

AACSB: Analytic
Blooms: Understand
Difficulty: 1 Easy

Learning Objective: 02-06 Compare and contrast strategic planning; scenario planning; and strategy as planned emergence; and discuss strategic implications.

Topic: Strategizing for Competitive Advantage: How is Strategy "Made"?

8. Organizational learning and flexibility are enhanced by the circular nature of scenario planning.
(p. 42)

TRUE

The interdependence among analysis, formulation, and implementation enhances organizational learning and flexibility.

AACSB: Analytic
Blooms: Understand
Difficulty: 1 Easy

Learning Objective: 02-06 Compare and contrast strategic planning; scenario planning; and strategy as planned emergence; and discuss strategic implications.

Topic: Strategizing for Competitive Advantage: How is Strategy "Made"?

9. Realized strategy is a top-down process by which executives design a rational and structured strategic plan.
(p. 44-45)

FALSE

Realized strategy is the result of intended and emergent strategies.

AACSB: Analytic
Blooms: Understand
Difficulty: 2 Medium

Learning Objective: 02-06 Compare and contrast strategic planning; scenario planning; and strategy as planned emergence; and discuss strategic implications.

Topic: Strategizing for Competitive Advantage: How is Strategy "Made"?

10. Intended strategy is the combination of emergent and realized strategies.

(p. 44-45)

FALSE

Intended strategy is the top-down strategic plan from senior managers.

AACSB: Analytic
Blooms: Understand
Difficulty: 1 Easy

Learning Objective: 02-06 Compare and contrast strategic planning; scenario planning; and strategy as planned emergence; and discuss strategic implications.

Topic: Strategizing for Competitive Advantage: How is Strategy "Made"?

11. A situation when part or all of a firm's strategic plan falls by the wayside due to unexpected events is called an unrealized strategy.

(p. 44-45)

TRUE

Yes, unrealized strategies are those that were intended but did not get implemented into realized strategies.

AACSB: Analytic
Blooms: Understand
Difficulty: 2 Medium

Learning Objective: 02-06 Compare and contrast strategic planning; scenario planning; and strategy as planned emergence; and discuss strategic implications.

Topic: Strategizing for Competitive Advantage: How is Strategy "Made"?

12. Managers may use a combination of intended and emergent strategy to create a realized strategy.

(p. 44-45)

TRUE

Realized strategy is the combination of intended and realized.

AACSB: Analytic
Blooms: Understand
Difficulty: 2 Medium

Learning Objective: 02-06 Compare and contrast strategic planning; scenario planning; and strategy as planned emergence; and discuss strategic implications.

Topic: Strategizing for Competitive Advantage: How is Strategy "Made"?

13. Resource Allocation Process (RAP) describes the way in which resources are allocated, and argues that it is critical in shaping a firm's realized strategy.
(p. 45)

TRUE

This is the definition of RAP.

AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy

Learning Objective: 02-06 Compare and contrast strategic planning; scenario planning; and strategy as planned emergence; and discuss strategic implications.

Topic: Strategizing for Competitive Advantage: How is Strategy "Made"?

14. The Real Options approach was used by Microsoft in its decision to close down the Keywords
(p. 46-47) initiative.

FALSE

There is evidence Microsoft was not patient with the project, and real options tend to encourage patience with investments in small amounts.

AACSB: Analytic
Blooms: Apply
Difficulty: 2 Medium

Learning Objective: 02-06 Compare and contrast strategic planning; scenario planning; and strategy as planned emergence; and discuss strategic implications.

Topic: Strategizing for Competitive Advantage: How is Strategy "Made"?

Multiple Choice Questions

15. Teach For America (TFA) recruits recent college graduates and professionals to teach for a two-year commitment in socially and economically disadvantaged communities. What is a major component of their recruiting campaign for applicants?

(p. 31)

- A. An extensive network to use for job openings at the end of two years of service.
- B.** An inspiring mission to eliminate educational inequality.
- C. Significant supplemental income for the TFA workers while in the field.
- D. Scholarships for graduate programs at the end of the two years.

TFA employees get the same salary as other teachers in the schools where they are deployed. The inspirational vision and leadership team are major aspects of their successful recruiting efforts.

AACSB: Analytic
Blooms: Analyze
Difficulty: 2 Medium

Learning Objective: 02-01 Explain the role of vision; mission; and values in the strategic management process.
Topic: Vision, Mission, and Values

16. Teach For America (TFA) has an inspiring mission, which is to eliminate educational inequality in the U.S. What is a major benefit discussed that TFA garnered by effectively using this mission?

(p. 31)

- A. An extensive network to use for job openings at the end of two years of service.
- B. Significant supplemental income for the TFA workers while in the field.
- C. Scholarships for graduate programs at the end of the two years.
- D.** A large number of applicants driving a highly selective group in the teaching jobs.

The acceptance rates for TFA mirror those at top schools such as Harvard and Stanford.

AACSB: Analytic
Blooms: Analyze
Difficulty: 1 Easy

Learning Objective: 02-01 Explain the role of vision; mission; and values in the strategic management process.
Topic: Vision, Mission, and Values

17. The process that describes the method by which managers conceive of and implement a strategy that can lead to a sustainable competitive advantage is called what?
(p. 32)

- A. Strategic process
- B. Strategic technology
- C. Strategic management**
- D. Strategic planning

This is essentially the definition of strategic management.

AACSB: Analytic
Blooms: Remember
Difficulty: 2 Medium

Learning Objective: 02-01 Explain the role of vision; mission; and values in the strategic management process.
Topic: Vision, Mission, and Values

18. When it comes to a firm's vision, mission, and values, it can be said that:
(p. 32)

- A. Once instituted in the organization, the vision, mission, and values of a firm should be left alone, regardless of whether the company is successful or not.
- B. New firms have to create these by using a driving vision to shape their mission and values, and existing firms should fine-tune their mission and values and reaffirm their values periodically.**
- C. New firms should modify their vision, mission, or values as they grow, but established firms should stick to what has worked in the past.
- D. Existing firms should regularly discard their vision and mission in a renewal process.

New firms create their mission and vision, and existing firms fine-tune them.

AACSB: Analytic
Blooms: Apply
Difficulty: 2 Medium

Learning Objective: 02-01 Explain the role of vision; mission; and values in the strategic management process.
Topic: Vision, Mission, and Values

19. The analogy about building a new home is relevant to strategy because you use vision, mission, and values to begin with the end in mind. Strategic success must be created twice. Once by creating a clear mental picture of what the firm wants to accomplish and second _____.

- A. by formulating and implementing a strategy to make the vision a reality
- B. by holding department meetings to communicate the vision
- C. to create a strong value system that will bind the company together in tough times
- D. by creating a blueprint for the organization to use in creating new mission statements

The second step must involve the implementation of the strategy to empower the vision created in the first step.

AACSB: Analytic
Blooms: Understand
Difficulty: 2 Medium

Learning Objective: 02-01 Explain the role of vision; mission; and values in the strategic management process.
Topic: Vision, Mission, and Values

20. In order for managers to determine the vision, mission, and values for their organization, they should:

- A. Begin by asking "What is our competitive advantage?"
- B. Determine what strategic group they belong to first.
- C. Begin with the "end in mind."
- D. Seek employee feedback.

The vision, mission, and values must be future-oriented and thus need to start with a view toward the "end" of what success looks like for the organization.

AACSB: Analytic
Blooms: Understand
Difficulty: 2 Medium

Learning Objective: 02-01 Explain the role of vision; mission; and values in the strategic management process.
Topic: Vision, Mission, and Values

21. Visionary companies differ from their competition in that:

(p. 32)

- A. Employees in visionary organizations find meaning in their work and are motivated.
- B. A visionary company focuses on scenario planning and future competitive threats.
- C. In a visionary company it is the CEO's managerial style that gives the company its emergent strategy.
- D. Visionary companies typically emphasize measuring financial performance.

Teach For America is one example of an organization that attracts passionate workers with its mission and values.

AACSB: Analytic
Blooms: Analyze
Difficulty: 2 Medium

Learning Objective: 02-01 Explain the role of vision; mission; and values in the strategic management process.

Topic: Vision, Mission, and Values

22. Staking out a desired leadership position that far exceeds a company's current resources and capabilities is called what?

(p. 33)

- A. Strategic planning
- B. Strategic management
- C. Strategic intent
- D. Strategic process

This is the definition of strategic intent. It can be a small component of the strategy management process, but that term is too general for this more specific description.

AACSB: Analytic
Blooms: Understand
Difficulty: 2 Medium

Learning Objective: 02-02 Describe and evaluate the role of strategic intent in achieving long-term goals.

Topic: Vision, Mission, and Values

23. Chinese companies such as BYD and Lenovo made global leadership their mission. One of the tools they used to accomplish this position is what?
(p. 33)

- A. Stretch goals
- B. Efficient goals
- C. Reach goals
- D. Enhanced goals

Stretch goals are an important tool in motivating organizations to accomplish great things.

AACSB: Analytic

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-02 Describe and evaluate the role of strategic intent in achieving long-term goals.

Topic: Vision, Mission, and Values

24. Strategic intent is considered to be forward-looking and future-oriented. It is most useful in situations where _____.
(p. 33)

- A. large firms are close competitors with others
- B. all the firms competing in a market are very similar
- C. small firms are wanting to compete against bigger, more established firms
- D. the dominant plan from a scenario planning process is identified

Strategic intent is most widely used when there is a large gap between competitors, and the ones not doing well desire to surpass better-established firms.

AACSB: Analytic

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-02 Describe and evaluate the role of strategic intent in achieving long-term goals.

Topic: Vision, Mission, and Values

25. (p. 34) As noted in Strategy Highlight 2.1, the small Japanese company with the electric rice cooker faced very long odds in getting a license from Bell Labs for using their transistor. The end result of the effort to get the license was what?

- A. The Japanese firm got the license but was not able to produce the desired radio.
- B. The Japanese firm got the license and used it successfully in their rice cooker.
- C. The Japanese firm introduced the first pocket-sized radio, but the market was not ready for it and sales were weak.
- D.** The Japanese firm introduced the world's first pocket-sized radio to great market success.

The TR-55 was introduced using the Bell Labs transistor in 1957. Sony sold 1.5 million units and became a leader in consumer electronics.

AACSB: Analytic

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-02 Describe and evaluate the role of strategic intent in achieving long-term goals.

Topic: Vision, Mission, and Values

26. (p. 34) As noted in Strategy Highlight 2.1, the small Japanese company with the electric rice cooker became the highly successful firm Sony. However, more recently Sony has not performed very well. To what can this be attributed?

- A. Large competitive pressures in their strategic group has cost Sony much market share and thus revenue opportunity.
- B.** A failure to set new stretch goals after accomplishing many of their older ones.
- C. The strategic planning process was highly flawed.
- D. The recent economic downturn was too much for the firm to adjust to.

Though several factors have affected Sony, such as the economic downturn, other competitors like Apple have thrived even through the downturn.

AACSB: Analytic

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-02 Describe and evaluate the role of strategic intent in achieving long-term goals.

Topic: Vision, Mission, and Values

27. A mission describes _____.

(p. 35)

- A. what a business will do in the future
- B. what a business actually does and why it does it**
- C. what the norms are of the business
- D. what the business has done historically

A mission describes what the organization does and why it does it.

AACSB: Analytic
Blooms: Understand
Difficulty: 1 Easy

Learning Objective: 02-03 Distinguish between customer-oriented and product-oriented missions and identify strategic implications.
Topic: Vision, Mission, and Values

28. When an organization briefly describes what its business is about and why it does it, they have articulated a _____.

(p. 34-35)

- A. Values statement
- B. Mission statement**
- C. Strategic plan
- D. Competitive advantage

A mission statement describes what the organization does and why it does it.

AACSB: Analytic
Blooms: Understand
Difficulty: 1 Easy

Learning Objective: 02-03 Distinguish between customer-oriented and product-oriented missions and identify strategic implications.
Topic: Vision, Mission, and Values

29. When Disney says its mission is "to make people happy," they translate that mission into which of the following actions as discussed in the text?

(p. 34)

- A. Employees are screened for their acting ability at all levels of the organization.
- B. They bought Pixar to make more movies that audiences would enjoy.
- C. They adjust their ticket prices seasonally to meet customer demand.
- D. Employees are cast members to help the customers enjoy the "show" throughout the park.**

Disney embeds a metaphor of a "show" throughout their theme parks, thus all employees are expected to help the customers (or audience) have a good time.

AACSB: Analytic

30. Customer-oriented missions are defined as _____.

(p. 34)

- A. providing solutions to employee needs
- B. providing solutions to customer needs**
- C. providing solutions to executive needs
- D. providing solutions to stockholder needs

It defines the business in terms of providing solutions to customer needs.

31. Which of the following is NOT true concerning a customer-oriented mission?

(p. 35)

- A. It defines the means of how a customer need will be met.**
- B. It has more flexibility than a product-oriented mission.
- C. It has a higher likelihood of remaining relevant in the long-term.
- D. Organizations that have customer-oriented missions are more likely to be successful.

A mission does not look at the methods to accomplish the customer need.

32. It is important to separate having a customer-oriented mission from listening to your customers. If Henry Ford had merely listened to his customers of 100 years ago what would he have done?

(p. 35)

- A. He would have teamed up with the Wright brothers in making bicycles.
- B. He would have built more comfortable passenger cars for trains.
- C.** He would have built a better horse and buggy.
- D. He would have invested in steam ships for riding the Ohio and Mississippi rivers.

Current customers do not always know what the possibilities are for new products and services to meet their needs.

AACSB: Analytic

Blooms: Apply

Difficulty: 1 Easy

Learning Objective: 02-03 Distinguish between customer-oriented and product-oriented missions and identify strategic implications.

Topic: Vision, Mission, and Values

33. A business statement defined in terms of a good or service provided is called a

(p. 35)

_____.

- A. customized mission
- B. service-centered mission
- C.** product-oriented mission
- D. customer-centered mission

Product-oriented missions define a business in terms of a good or service provided.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-03 Distinguish between customer-oriented and product-oriented missions and identify strategic implications.

Topic: Vision, Mission, and Values

34. Many of the early U.S. railroad companies defined themselves as being in the railroad business instead of being in the transportation needs business. These companies used _____.

(p. 35)

- A. resource-based missions
- B. customer-oriented missions
- C. product-oriented missions**
- D. responsive missions

Product-oriented missions define a business in terms of a good or service provided.

AACSB: Analytic

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-03 Distinguish between customer-oriented and product-oriented missions and identify strategic implications.

Topic: Vision, Mission, and Values

35. Which one of the following best describes a product-oriented mission?

(p. 35)

- A. It defines the means of how a customer need will be met.
- B. It is the best type of mission for most firms to have.
- C. It has a higher likelihood of remaining relevant in the long-term.
- D. It defines a business in terms of a good or service provided.**

Product-oriented missions define a business in terms of a good or service provided.

AACSB: Analytic

Blooms: Understand

Difficulty: 1 Easy

Learning Objective: 02-03 Distinguish between customer-oriented and product-oriented missions and identify strategic implications.

Topic: Vision, Mission, and Values

36. If the early U.S. railroad companies defined themselves as being in the transportation needs business, which is more customer-oriented, they might have successfully moved into what product/service before any other firm?

(p. 35-36)

- A. Commercial aviation (such as Delta and United)
- B. Modern shipping and logistics (such as FedEx and UPS)**
- C. International cargo containers on large ocean ships
- D. Fuel efficient automobiles (such as Toyota and Ford)

The railroads were in a great position to move into delivery of their cargo from the rail station to where the end customer needed it well before Federal Express existed.

AACSB: Analytic

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 02-03 Distinguish between customer-oriented and product-oriented missions and identify strategic implications.

Topic: Vision, Mission, and Values

37. Mission statements can also be used to help refocus a firm on its main line of business. One example of this given in the text is:

(p. 36)

- A. Ben & Jerry's expanding beyond ice cream into other food categories.
- B. Disney selling off its theme parks to focus on movies.
- C. Shell Canada selling off its chemicals and forestry businesses.**
- D. Ford Motors moving into hybrid cars and SUVs.

Shell Canada recognized its strength as a low-cost producer of oil and gas and shifted out of its other businesses to focus there.

AACSB: Analytic

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-03 Distinguish between customer-oriented and product-oriented missions and identify strategic implications.

Topic: Vision, Mission, and Values

38. Better World Books (BWB) wanted to fight illiteracy by donating 50 percent of its revenues, as stated in its mission. The fact that it had to later reduce the donation amount to between 7-10 percent is a reflection of the fact that:

(p. 36-37)

- A.** The declared mission of an organization can sometimes negatively impact its financial performance.
- B. The declared mission of an organization is often too complicated to execute.
- C. The declared mission of an organization needs to be product-oriented.
- D. The declared mission of an organization should not include financial measurements.

The original mission was implemented in such a way that it hurt the long-term viability of businesses, particularly of startup and relatively small firms.

AACSB: Analytic

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-04 Critically evaluate the relationship between mission statements and competitive advantage.

Topic: Vision, Mission, and Values

39. It has been found that visionary companies outperform other companies by more than 1,400 percent. One reason for this is:

(p. 36)

- A.** Their stated missions encapsulate their aspirations.
- B. Their employees are better trained.
- C. They are focused on profits.
- D. They are typically start-ups and are thus more highly motivated.

For visionary companies, superior financial performance is a byproduct of living up to their missions.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-04 Critically evaluate the relationship between mission statements and competitive advantage.

Topic: Vision, Mission, and Values

40. Mission statements have been shown to be associated with firm performance. In many cases, organizations with sound missions are more successful; however, what is far less clear is _____.

(p. 37)

- A. that customer-oriented missions provide more flexibility than product-oriented ones
- B. whether this mission actually *causes* a firm to have a competitive advantage**
- C. whether missions can be inspirational for both employees and customers
- D. whether the mission should describe what the firm actually does

There is empirical research that missions can be associated with good or poor performance. However, it is not clear that a mission statement will lead to (or causes) the resulting performance.

AACSB: Analytic

Blooms: Analyze

Difficulty: 3 Hard

Learning Objective: 02-04 Critically evaluate the relationship between mission statements and competitive advantage.

Topic: Vision, Mission, and Values

41. Intel is provided as an example of a firm that has continuously changed its mission statement, including most recently moving to a customer-focused mission. This is an indication of what?

(p. 37)

- A. Missions are best left as they were originally crafted for the firm.
- B. Intel's mission likely created its superior performance over this period.
- C. Missions can be inspirational for both employees and customers.
- D. The mission was changed *after* Intel had already changed its business focus.**

Intel clearly changed its mission statement several times. However, in every case the change seems to have been to catch up with a prior shift in the business model. Therefore, the mission could NOT have caused the superior firm performance.

AACSB: Analytic

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 02-04 Critically evaluate the relationship between mission statements and competitive advantage.

Topic: Vision, Mission, and Values

42. (p. 37) Johnson Homes was a real estate development firm with \$25 million in available capital. The owner's mission was to "develop the highest-quality housing communities that deliver the ultimate lifestyle." His goal was to build high-end homes on a lake and develop biking trails and other recreational offerings. In order to accomplish this, he needed to pay 15 million dollars for a 10-year project to put in new water facilities, pave new entry and exit roads, and hire consultants to help him navigate state, city, and county regulations. Four years into the project, the owner did not hire the consultants and had only invested 25 percent of the required capital to build the water facility. In addition, he began to travel frequently and did not listen to his employees' complaints. Not surprisingly, the company went bankrupt. Which of these statements is most likely to be true?

- A. The company failed because it did not have sufficient financial resources.
- B. The company failed because it was too diversified.
- C.** The company failed because it was not backed up with strategic commitment.
- D. The company failed because it was not a visionary company.

The vignette describes a focused firm with a good vision and financial backing but a lack of commitment to get the project implemented.

AACSB: Analytic
Blooms: Analyze
Difficulty: 3 Hard

Learning Objective: 02-04 Critically evaluate the relationship between mission statements and competitive advantage.
Topic: Vision, Mission, and Values

43. (p. 37) To be effective, firms must implement their mission statements in strategic actions. The decision that Boeing made to develop the 787 Dreamliner is an example of what?

- A.** A costly and long-term strategic commitment
- B. An attempt to win U.S. military contracts
- C. The results of an emergent strategy
- D. A customer-oriented mission statement

Missions must be supported with actions that are costly, long-term, and difficult to reverse strategic commitments to avoid being just hollow words.

AACSB: Analytic
Blooms: Apply
Difficulty: 2 Medium

Learning Objective: 02-04 Critically evaluate the relationship between mission statements and competitive advantage.
Topic: Vision, Mission, and Values

44. (p. 38) McKesson, a \$110 billion health care company, is provided as an example firm with clear and compelling organizational values. All of the following items are examples of living the values EXCEPT which one?

- A. The ethics and behavior models are the cornerstones of building the business.
- B. ICARE values are printed out on all their marketing materials for new customers.**
- C. Employees worked long overtime hours to meet urgent needs during hurricane Katrina.
- D. The ICARE values serve as a framework for how to deal with their customers.

Printing out a list of values on marketing materials could be an indication that the firm is using its values purely for public relations and not really living them inside the firm. Therefore, it is not an example of "living" the values. It does not, however, preclude that the firm could be living the values if it is also performing the other actions noted here.

AACSB: Ethics
Blooms: Evaluate
Difficulty: 3 Hard

Learning Objective: 02-05 Explain why anchoring a firm in ethical values is essential for long-term success.
Topic: Vision, Mission, and Values

45. (p. 38) Organizational values help people make choices that are ethical and company-goal-oriented. These values answer which strategic management question?

- A. What do we want to accomplish as a firm?
- B. How do we accomplish our goals in the organization?**
- C. What are we about as a firm relative to our competitors?
- D. What is the best way to compete in the marketplace?

The values espoused should guide employees on how to behave in accomplishing the goals of the firm.

AACSB: Ethics
Blooms: Apply
Difficulty: 2 Medium

Learning Objective: 02-05 Explain why anchoring a firm in ethical values is essential for long-term success.
Topic: Vision, Mission, and Values

46. The ethical standards and norms that should govern the behavior of the individuals within the firm are called what?
(p. 38)

- A. Values
- B. The mission
- C. The strategic plan
- D. Competitive advantage

Values are ethical standards and norms that should govern the behavior of the individuals within the firm.

AACSB: Ethics
Blooms: Understand
Difficulty: 2 Medium

Learning Objective: 02-05 Explain why anchoring a firm in ethical values is essential for long-term success.
Topic: Vision, Mission, and Values

47. A set of values illustrates the firm's _____.
(p. 38)

- A. choice of where to do business
- B. definition of what business is and why it does it
- C. ethical standards and norms
- D. positioning of what the business did in the past

Values are ethical standards and norms that should govern the behavior of the individuals within the firm.

AACSB: Analytic
Blooms: Understand
Difficulty: 2 Medium

Learning Objective: 02-05 Explain why anchoring a firm in ethical values is essential for long-term success.
Topic: Vision, Mission, and Values

48. Google's decision in 2010 to pull its servers out of mainland China and operate out of Hong Kong was a response to what?
(p. 38-39)

- A. A drive to increase profits with a broader footprint in Asia.
- B. A request from the Chinese government to leave the country.
- C. A move to cut costs due to intense competition with the local search firm Baidu.
- D.** Google's decision to stop using self-censoring, as required by the Chinese government to stay operating in mainland China.

Google decided it could no longer support censoring because it conflicted with their organizational values such as "democracy on the web works."

AACSB: Ethics
Blooms: Evaluate
Difficulty: 2 Medium

Learning Objective: 02-05 Explain why anchoring a firm in ethical values is essential for long-term success.
Topic: Vision, Mission, and Values

49. The 2001 collapse of Enron, resulting in one of the biggest bankruptcies in U.S. history, demonstrates that:
(p. 38-39)

- A. An organization may have a mission statement promoting ethical behavior, but it must have strong organizational values to guide the behavior of employees.
- B. Employees observe managerial behavior and tend to follow it.
- C. Having strong ethical values inside an organization is important for long-term success.
- D.** All of these.

Enron is a case of great public relations around its mission and values but limited leadership from the top to support them.

AACSB: Ethics
Blooms: Apply
Difficulty: 1 Easy

Learning Objective: 02-05 Explain why anchoring a firm in ethical values is essential for long-term success.
Topic: Vision, Mission, and Values

50. (p. 39) The 2001 collapse of Enron resulted in the loss of jobs for over 20,000 employees. Arthur Anderson was also impacted by the Enron collapse and 30,000 employees lost their jobs. Why was Arthur Anderson so adversely affected by Enron's collapse?

- A. Enron was a major client and Arthur Anderson could not survive the business downturn from the bankruptcy.
- B.** The firm was an accomplice in the accounting scandal at Enron.
- C. Arthur Anderson was the target of a hostile takeover directly after Enron's collapse.
- D. The accounting firm decided to get out of the entire energy sector as a result of the collapse of Enron.

Anderson's reputation could not recover from the actions of a few who worked closely with Enron to advise them on illegal accounting practices.

AACSB: Ethics

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-05 Explain why anchoring a firm in ethical values is essential for long-term success.

Topic: Vision, Mission, and Values

51. (p. 39) When strategizing for competitive advantage, managers rely on different approaches that can complement one other. Which one of the following is NOT an approach a firm may use?

- A. Strategic planning
- B. Strategy as planned emergence
- C.** Strategy implantation
- D. Scenario planning

Strategy implantation is not an approach for competitive advantage.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-06 Compare and contrast strategic planning; scenario planning; and strategy as planned emergence; and discuss strategic implications.

Topic: Strategizing for Competitive Advantage: How is Strategy "Made"?

52. Shell Oil is provided as an example of a firm effectively using scenario planning. In the 1960s, they prepared for a strong OPEC and therefore rising oil prices. What are they now predicting about future energy needs?

(p. 40)

- A. Energy needs will continue to grow, spurred by BRIC countries.
- B.** In 2025, that 20 percent of our energy will be generated from renewable technologies.
- C. That the Middle East leadership will fracture and oil prices will drop.
- D. In 2025, that 50 percent of our energy will be generated from renewable technologies.

Shell is predicting 80 percent of energy will still be generated by fossil fuels in 2025.

AACSB: Analytic

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-06 Compare and contrast strategic planning; scenario planning; and strategy as planned emergence; and discuss strategic implications.

Topic: Strategizing for Competitive Advantage: How is Strategy "Made"?

53. The strategic management process follows which strategy framework?

(p. 32)

- A.** AFI; Analyze-Formulate-Implement
- B. AFE; Analyze-Formulate-Execute
- C. API; Analyze-Plan-Implement
- D. APE; Analyze-Plan-Execute

Analyze, Formulate, and Implement is the framework for strategy here.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-01 Explain the role of vision; mission; and values in the strategic management process.

Topic: Vision, Mission, and Values

54. When managers envision different what-if scenarios to anticipate possible futures, the approach that is used is called:
(p. 40)

- A. Strategic planning
- B. Strategy as planned emergence
- C. Strategy implantation
- D.** Scenario planning

Scenario planning involves studying different what-if scenarios.

AACSB: Analytic

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-06 Compare and contrast strategic planning; scenario planning; and strategy as planned emergence; and discuss strategic implications.

Topic: Strategizing for Competitive Advantage: How is Strategy "Made"?

55. Strategic planning differs from scenario planning in that:
(p. 39-40)

- A. Strategic planning is long-term planning; scenario planning is not.
- B. Strategic planning is bottom-up from the employees, and scenario planning is top-down from the CEO.
- C. Strategic planning is performed by many layers in the organization, while scenario planning is limited to top executives.
- D.** Strategic planning assumes that future success can be predicted; scenario planning allows for more unforeseen events.

The primary difference between strategic planning and scenario planning is a difference in the underlying assumptions about the future. Strategic planning framework relies on it being more predictable while scenario planning is more dependent on flexibility to unexpected events.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-06 Compare and contrast strategic planning; scenario planning; and strategy as planned emergence; and discuss strategic implications.

Topic: Strategizing for Competitive Advantage: How is Strategy "Made"?

56. A dominant strategic plan in the scenario planning tool is which of the following managerial options?
(p. 42)

- A. It most accurately matches reality.
- B. It matches the intended strategy.
- C. It will be the only correct strategic plan.
- D. It will be the only correct competitive advantage plan.

The dominant plan is the one viewed as the most realistic of the options considered by management.

AACSB: Analytic
Blooms: Understand
Difficulty: 2 Medium

Learning Objective: 02-06 Compare and contrast strategic planning; scenario planning; and strategy as planned emergence; and discuss strategic implications.

Topic: Strategizing for Competitive Advantage: How is Strategy "Made"?

57. In scenario planning, what is the key question to ask to begin to generate different scenarios?
(p. 40)

- A. What's happening now?
- B. Where are we?
- C. What if?
- D. Where are we going?

You want to have very broad-based scenarios to try to cover most contingencies, and "What if?" is a key question for thinking about different futures.

AACSB: Analytic
Blooms: Understand
Difficulty: 1 Easy

Learning Objective: 02-06 Compare and contrast strategic planning; scenario planning; and strategy as planned emergence; and discuss strategic implications.

Topic: Strategizing for Competitive Advantage: How is Strategy "Made"?

58. Questions such as "What resources do we need if this happens?" and "How can we shape our anticipated future environment?" are performed under what stage of the AFI framework?
(p. 41)

- A.** The formulation stage
- B. The forecasting stage
- C. The installation stage
- D. The iteration stage

These questions are important in the formulation stage before implementation begins.

AACSB: Analytic

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-06 Compare and contrast strategic planning; scenario planning; and strategy as planned emergence; and discuss strategic implications.

Topic: Strategizing for Competitive Advantage: How is Strategy "Made"?

59. The fact that many organizations were caught off-guard by the recent economic downturn reflects that:
(p. 41)

- A. It is impossible to prepare for future situations.
- B.** There is a tendency to ignore negative outcomes when creating future scenarios.
- C. "What if" questions are actually not that useful.
- D. Managers usually wait until it is too late to implement strategic initiatives.

Pessimistic scenarios are sometimes not thoroughly explored in scenario analysis.

AACSB: Analytic

Blooms: Analyze

Difficulty: 1 Easy

Learning Objective: 02-06 Compare and contrast strategic planning; scenario planning; and strategy as planned emergence; and discuss strategic implications.

Topic: Strategizing for Competitive Advantage: How is Strategy "Made"?

60. One of Henry Mintzberg's criticisms of the strategic planning process is that:

(p. 42)

- A.** It does not allow for strategic thinking.
- B. It rarely, if ever, gets implemented.
- C. It is too reliant on employee feedback.
- D. Managers do not like to use it.

Mintzberg argues that thinking is more important than producing a plan.

AACSB: Analytic

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-06 Compare and contrast strategic planning; scenario planning; and strategy as planned emergence; and discuss strategic implications.

Topic: Strategizing for Competitive Advantage: How is Strategy "Made"?

61. Strategic flexibility is achieved by:

(p. 42)

- A. Managers developing a dominant plan and sticking to it.
- B.** Managers responding when reality changes by activating alternate dominant plans.
- C. Ignoring feedback from the marketplace while creating new plans.
- D. Breaking the cycle of strategic planning-monitoring-responding.

Keeping the alternate plans generated during formulation is critical to a quick response should circumstances warrant it.

AACSB: Analytic

Blooms: Understand

Difficulty: 1 Easy

Learning Objective: 02-06 Compare and contrast strategic planning; scenario planning; and strategy as planned emergence; and discuss strategic implications.

Topic: Strategizing for Competitive Advantage: How is Strategy "Made"?

62. Strategic thinking is different than strategic planning in that:

(p. 42)

- A. Strategic thinking includes "soft" information and employee experience; strategic planning does not.
- B. Strategic thinking relies more on hard numbers than strategic planning.
- C. There really isn't that much that differentiates the two.
- D. Strategic thinking can create an illusion of control, while strategic planning avoids this.

Strategic thinking involves much of the softer skills, while most plans focus on quantitative items.

AACSB: Analytic

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-06 Compare and contrast strategic planning; scenario planning; and strategy as planned emergence; and discuss strategic implications.

Topic: Strategizing for Competitive Advantage: How is Strategy "Made"?

63. Nucor Corporation is the largest steel company in the U.S., has been profitable for decades, and has never laid off an employee. Yet, Nucor has no written strategic plan, no written mission statement and no written objectives. What does this tell us?

(p. 42-43)

- A. Nucor should have had written these down but they were fortunate because they had first-mover advantages.
- B. Nucor is a monopoly and therefore it is not important to have written plans, mission statements, or objectives.
- C. Not having a written strategic plan does not indicate a lack of strategy; it is the pattern of actions across the organization that is important.
- D. Not having a written strategic plan could make Nucor vulnerable in the future because it does not have a strong organizational culture.

Nucor is a prime example of the value of Mintzberg's framework.

AACSB: Analytic

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-06 Compare and contrast strategic planning; scenario planning; and strategy as planned emergence; and discuss strategic implications.

Topic: Strategizing for Competitive Advantage: How is Strategy "Made"?

64. Employees at Google spend one day a week working on their own ideas. This is an example of a _____.

(p. 43)

- A. planned initiative
- B. strategic initiative**
- C. product-oriented strategy
- D. consumer-oriented strategy

The "slack time" that Google puts in the work schedule is strategically oriented to keep a fresh flow of new ideas in the organization.

AACSB: Analytic

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 02-06 Compare and contrast strategic planning; scenario planning; and strategy as planned emergence; and discuss strategic implications.

Topic: Strategizing for Competitive Advantage: How is Strategy "Made"?

65. What is wrong with the following statement? "Intended strategies tend to be generated using a bottom-up approach."

(p. 44)

- A. Intended strategies are generated through emergent ideas.
- B. Intended strategy is the final result of the AFI process.
- C. Intended strategies lose the unrealized strategies along the process.
- D. Intended strategies are generated using a top-down approach.**

Intended strategies are generated from senior leadership and use a top-down approach.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-06 Compare and contrast strategic planning; scenario planning; and strategy as planned emergence; and discuss strategic implications.

Topic: Strategizing for Competitive Advantage: How is Strategy "Made"?

66. Any unplanned strategic initiative undertaken by mid-level employees of their own volition is
(p. 43-44) a(n) _____.

- A. dominant strategic plan
- B. developing strategy
- C. emergent strategy**
- D. strategic initiative

Emergent strategy starts at the middle- and lower-levels of an organization.

AACSB: Analytic
Blooms: Analyze
Difficulty: 2 Medium

Learning Objective: 02-06 Compare and contrast strategic planning; scenario planning; and strategy as planned emergence; and discuss strategic implications.

Topic: Strategizing for Competitive Advantage: How is Strategy "Made"?

67. The strategy originally planned by senior management is known as:
(p. 44)

- A. Purposed strategy
- B. Impact strategy
- C. Intended strategy**
- D. Emergent strategy

Intended strategy is set out by the senior leadership.

AACSB: Analytic
Blooms: Apply
Difficulty: 1 Easy

Learning Objective: 02-06 Compare and contrast strategic planning; scenario planning; and strategy as planned emergence; and discuss strategic implications.

Topic: Strategizing for Competitive Advantage: How is Strategy "Made"?

68. Firms that are willing to pursue exploring and developing new products and processes, and thus new markets or new ventures, by definition use a(n) _____.

(p. 43)

- A. emergent strategy
- B. developing strategy
- C. dominant strategic plan
- D. strategic initiative**

Strategic initiative is any activity a firm pursues for exploring and developing new products and processes, and new markets or new ventures.

AACSB: Analytic

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 02-06 Compare and contrast strategic planning; scenario planning; and strategy as planned emergence; and discuss strategic implications.

Topic: Strategizing for Competitive Advantage: How is Strategy "Made"?

69. Animals Doll Company has manufactured and sold children's dolls for 25 years. In order to keep costs low, it sources its materials from China. An employee in one of its retail stores has noticed that there is increasing concern regarding the potential toxicity of the materials in the dolls. In response, she researched and found a supplier that provides organic, non-toxic cloth and filling. She has taken this information to her manager and has suggested that the company consider producing dolls with these materials. This is an example of:

(p. 43-44)

- A. A rational planning approach to strategy.
- B. An emergent strategy process.**
- C. A good use of scenario planning.
- D. A new dominant action plan.

The employee is contributing long-term ideas up the management chain in an emergent fashion.

AACSB: Analytic

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 02-06 Compare and contrast strategic planning; scenario planning; and strategy as planned emergence; and discuss strategic implications.

Topic: Strategizing for Competitive Advantage: How is Strategy "Made"?

70. Strategic initiatives describe the activities of firms when they explore and develop new products and processes, and new markets or new ventures. Where do strategic initiatives come from within the organization?

(p. 43)

- A. They may be the result of top-down OR bottom-up processes.
- B. They only emerge using a bottom-up process.
- C. They only result from a top-down approach.
- D. None of these.

Strategic initiatives can come from anywhere.

AACSB: Analytic
Blooms: Understand
Difficulty: 1 Easy

Learning Objective: 02-06 Compare and contrast strategic planning; scenario planning; and strategy as planned emergence; and discuss strategic implications.

Topic: Strategizing for Competitive Advantage: How is Strategy "Made"?

71. In Strategy Highlight 2.3, what type of strategy is the store manager of Starbucks using to develop new drinks for the stores?

(p. 44)

- A. She is using a rational planning approach to strategy.
- B. She is creating a dominant strategy plan.
- C. She is using scenario planning.
- D. She is using an emergent strategy process.

The manager created the drink in her store, sold it to customers, and then approached her upper management for approval to spread the idea of iced drinks across the country. These are clear indications of autonomous actions in an emergent framework.

AACSB: Analytic
Blooms: Apply
Difficulty: 2 Medium

Learning Objective: 02-06 Compare and contrast strategic planning; scenario planning; and strategy as planned emergence; and discuss strategic implications.

Topic: Strategizing for Competitive Advantage: How is Strategy "Made"?

72. Based on external and internal analyses, top-level executives design a rational and structured strategic plan that is called _____.

(p. 44)

- A. scenario planning
- B. an emergent strategy
- C. an intended strategy**
- D. an unrealized strategy

An intended strategy in the Mintzberg framework is the same as a strategic plan.

AACSB: Analytic
Blooms: Analyze
Difficulty: 2 Medium

Learning Objective: 02-06 Compare and contrast strategic planning; scenario planning; and strategy as planned emergence; and discuss strategic implications.

Topic: Strategizing for Competitive Advantage: How is Strategy "Made"?

73. Unrealized strategy is when a part of the firm's strategy _____.

(p. 44)

- A. is discontinued due to unexpected events**
- B. is evaluated because of expected events
- C. is eliminated due to expected events
- D. is incorporated due to unexpected events

Unrealized strategy is part of the strategic plan that falls by the wayside due to unexpected events.

AACSB: Analytic
Blooms: Understand
Difficulty: 2 Medium

Learning Objective: 02-06 Compare and contrast strategic planning; scenario planning; and strategy as planned emergence; and discuss strategic implications.

Topic: Strategizing for Competitive Advantage: How is Strategy "Made"?

74. The combination of intended and emergent strategies is called a(n) _____.

(p. 45)

- A. unrealized strategy
- B. realized strategy**
- C. dominant strategy
- D. developing strategy

A realized strategy is the combination of an intended and emergent strategy.

AACSB: Analytic

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 02-06 Compare and contrast strategic planning; scenario planning; and strategy as planned emergence; and discuss strategic implications.

Topic: Strategizing for Competitive Advantage: How is Strategy "Made"?

75. Bottom-up strategies can emerge as a consequence of the firm's RAP. What is the meaning of RAP?

(p. 45)

- A. Realized Allowance Process
- B. Resource Allowance Program
- C. Resource Allocation Process**
- D. Realized Allocation Program

The resource allocation process affects how bottom-up strategies are allowed to emerge due to resources available to work on them in the early stages.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-06 Compare and contrast strategic planning; scenario planning; and strategy as planned emergence; and discuss strategic implications.

Topic: Strategizing for Competitive Advantage: How is Strategy "Made"?

76. Understanding the Resource Allocation Process (RAP) will have large effects on shaping a firm's realized strategy. Which of the following is an example of such an allocation of resources?
(p. 45-46)

- A. Starbucks' launch of iced drinks
- B. Teach For America's mission statement
- C. Shell's prediction about future energy sources
- D. Intel's rule to "maximize margin-per-wafer-start"**

Intel's decision to set up guidelines for production priorities yielded an emergent strategic shift into microprocessors and out of DRAM by changing the tasks the resources in the firm were working on at the middle and lower levels.

AACSB: Analytic

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-06 Compare and contrast strategic planning; scenario planning; and strategy as planned emergence; and discuss strategic implications.

Topic: Strategizing for Competitive Advantage: How is Strategy "Made"?

77. Japan Railways diversifying into bottled water is an example of turning a problem into a business opportunity. What type of strategy process does this represent?
(p. 44-45)

- A. Top-down strategic planning
- B. An emergent strategy**
- C. An unrealized strategy
- D. Scenario planning

The workers at the site were the first to discover the good qualities of the water, and the idea of selling bottled water emerged up from there.

AACSB: Analytic

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-06 Compare and contrast strategic planning; scenario planning; and strategy as planned emergence; and discuss strategic implications.

Topic: Strategizing for Competitive Advantage: How is Strategy "Made"?

78. One concept behind linking RAP, decision making, and strategy is:

(p. 45-46)

- A. How an organization uses its resources drives the decisions it makes, which can alter the strategy.
- B. Decision making is based on realized strategy, not the resources available.
- C. Firm resources and decision making do not affect intended strategy except in times of crisis.
- D. In line with the tenets of strategic planning on a five-year cycle.

RAP assigns resources that can determine which projects get the "green light" and thus which ones are realized and become strategy.

AACSB: Analytic

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 02-06 Compare and contrast strategic planning; scenario planning; and strategy as planned emergence; and discuss strategic implications.

Topic: Strategizing for Competitive Advantage: How is Strategy "Made"?

79. Planned emergence in strategy-making is when:

(p. 46)

- A. An organization plans to emerge into a new market using current initiatives.
- B. An organization has a succession plan when the current CEO is preparing to retire.
- C. An organization communicates its strategy to the lower levels during a planned event.
- D. An organization allows bottom-up initiatives to emerge and be considered by the top.

Planned emergence is allowing bottom-up initiatives to emerge and be considered for implementation by the top management.

AACSB: Analytic

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-06 Compare and contrast strategic planning; scenario planning; and strategy as planned emergence; and discuss strategic implications.

Topic: Strategizing for Competitive Advantage: How is Strategy "Made"?

80. Managers may use _____ perspective to decision making where a large investment decision is broken down into a set of smaller decisions that are staged sequentially over time to obtain more information.
(p. 46)

- A.** a real options
- B. a realized strategy
- C. a net present value
- D. scenario planning

Real options are used to make small investments in stages to give less funding to more projects in highly uncertain environments.

AACSB: Analytic
Blooms: Understand
Difficulty: 1 Easy

Learning Objective: 02-06 Compare and contrast strategic planning; scenario planning; and strategy as planned emergence; and discuss strategic implications.

Topic: Strategizing for Competitive Advantage: How is Strategy "Made"?

81. A real options perspective is similar to what corporate finance tool?
(p. 46)

- A. Present volume
- B. Future value
- C.** Net present value
- D. Current yield

Both net present value and real options are financial tools to evaluate project worthiness financially.

AACSB: Analytic
Blooms: Analyze
Difficulty: 2 Medium

Learning Objective: 02-06 Compare and contrast strategic planning; scenario planning; and strategy as planned emergence; and discuss strategic implications.

Topic: Strategizing for Competitive Advantage: How is Strategy "Made"?

82. Applying a real options perspective to strategic decision making allows for:

(p. 46)

- A.** Breaking investment decisions into smaller, staged phases while obtaining new information about the project viability as it continues.
- B. Calculating the net present value of an investment and deciding whether or not to complete the project from the start.
- C. Starting a project with a realistic perspective that the organization will not be able to achieve competitive advantage with.
- D. Making sure that the project is customer-oriented as opposed to product-oriented.

Real options create smaller more frequent decision points to obtain new information during the early stages of the project.

AACSB: Analytic

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 02-06 Compare and contrast strategic planning; scenario planning; and strategy as planned emergence; and discuss strategic implications.

Topic: Strategizing for Competitive Advantage: How is Strategy "Made"?

83. Real options is a business decision and is seen as _____.

(p. 46)

- A. a right and an obligation
- B.** a right and not an obligation
- C. risky and mandatory
- D. a requirement for doing business

Just like a stock option, a real option is an investment providing a right but not an obligation to continue a project.

AACSB: Analytic

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 02-06 Compare and contrast strategic planning; scenario planning; and strategy as planned emergence; and discuss strategic implications.

Topic: Strategizing for Competitive Advantage: How is Strategy "Made"?

84. As revealed in the Teach For America case, teacher effectiveness improves if their course objectives do what?
(p. 47)

- A. Follow the standardized tests
- B. Are creative and repetitive in nature
- C. Focus on material in the course
- D.** Are student-achievement oriented

Surveys have found effectiveness improves with student-achievement-oriented goals that are measurable and rigorous.

AACSB: Analytic

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-01 Explain the role of vision; mission; and values in the strategic management process.

Topic: Strategizing for Competitive Advantage: How is Strategy "Made"?

Short Answer Questions

85. Explain what questions managers need to ask first to begin the strategic management process.
(p. 32)

Managers need to ask: What are we about? What is our mission? How do we accomplish our goals? What are our values? And managers need to begin with the end in mind.

Feedback: Asking the right questions is an important part of the process.

AACSB: Analytic

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 02-01 Explain the role of vision; mission; and values in the strategic management process.

Topic: Vision, Mission, and Values

86. Values define the ethical standards and norms that should govern the behavior of the individuals within the firms. Describe two important functions of strong ethical values.
(p. 39)

(1) Ethical values form a solid foundation on which a firm can build its mission and long-term success. (2) They are guardrails put in place so the company can stay on track when pursuing its mission in its quest for competitive advantage.

Feedback: A solid foundation and guardrails are the two important functions.

AACSB: Analytic
Blooms: Analyze
Difficulty: 2 Medium

Learning Objective: 02-05 Explain why anchoring a firm in ethical values is essential for long-term success.
Topic: Vision, Mission, and Values

87. How does a mission statement differ from a firm's values?
(p. 34, 38)

A mission statement describes what an organization actually does, what its business is, and why it does it. Values of a firm describe the ethical standards and norms that should govern the behavior of the individuals within the firm.

Feedback: The mission is more what the business does, while the values are the foundation for organizational behavior while getting it done.

AACSB: Analytic
Blooms: Analyze
Difficulty: 2 Medium

Learning Objective: 02-03 Distinguish between customer-oriented and product-oriented missions and identify strategic implications.
Topic: Vision, Mission, and Values

88. Some firms have customer-oriented missions, while others have product-oriented missions.
(p. 34-35) What is the difference between the two and which one is most often preferred?

(1) Customer-oriented. Company's make this their mission if providing solutions to customer needs. (2) Product- oriented. A good or service is provided. (3) Experts believe a customer-oriented mission is the best way for a firm to succeed because it gives customers the solutions they need now and leaves the possibility for more in the future.

Feedback: Customer-oriented missions are preferred for their strategic flexibility; something that isn't found in product-focused organizations.

AACSB: Analytic

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 02-03 Distinguish between customer-oriented and product-oriented missions and identify strategic implications.

Topic: Vision, Mission, and Values

89. Explain why some firms may use strategic intent.
(p. 33-34)

Strategic intent is (1) staking out a desired leadership position that far exceeds a company's current resources and capabilities, (2) forward-looking and future-oriented, and (3) creates an extreme misfit by setting ambitious goals and then challenging managers and employees across all organizational levels to close the gap by building the resources and capabilities necessary to accomplish these goals.

Feedback: Strategic intent can be a great rallying point and can focus the firm when one is significantly behind a key competitor.

AACSB: Analytic

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 02-02 Describe and evaluate the role of strategic intent in achieving long-term goals.

Topic: Vision, Mission, and Values

90. Disney's mission is to make people happy. Better World Books' mission is to collect and sell books online to fund literacy initiatives worldwide. How have these mission statements impacted firm performance? Do mission statements affect competitive advantage?

(p. 34, 36, 37)

The research is mixed when it comes to the relationship between mission statements and competitive advantage. In the case of Disney, the mission to make people happy is used to guide organizational behavior in many aspects, including employee training and how customers are treated. This translates into competitive advantages for Disney. However, mission statements by themselves do not improve firm performance; it is the strategic commitment to the mission that influences performance. If a firm has a well-crafted mission statement, in alignment with its vision, values, and strategy, then a mission statement can help a firm achieve superior performance and thus competitive advantage. Mission statements can also negatively affect competitive advantage as in the case of Better World Books.

Feedback: Customer-oriented missions can help the firm be strategically flexible, but there is limited evidence that they cause a firm to have superior performance.

AACSB: Analytic
Blooms: Analyze
Difficulty: 2 Medium

Learning Objective: 02-04 Critically evaluate the relationship between mission statements and competitive advantage.
Topic: Vision, Mission, and Values

91. Explain the three different approaches that managers rely on when it comes to strategizing for competitive advantage.

(p. 40, 43, 49)

(1) *Strategic (or long-range) planning*: This helps manage firms more effectively and enhances their performance. Executive leaders are the ones to create strategic plans, which focus on the past to predict the future (assuming there is no change). (2) *Scenario planning*: Asking the "what if" questions to anticipate possible futures. (3) *Strategy as planned emergence*: This can be top-down or bottom-up and can be any unplanned strategic initiative undertaken by mid-level employees of their own volition.

Feedback: Strategic planning, scenario planning, and planned emergence are the three methods of producing strategy.

AACSB: Analytic
Blooms: Analyze
Difficulty: 2 Medium

Learning Objective: 02-06 Compare and contrast strategic planning; scenario planning; and strategy as planned emergence; and discuss strategic implications.
Topic: Strategizing for Competitive Advantage: How is Strategy "Made"?

92. What is the main intention of firms when they use scenario planning?

(p. 40)

Firms will refer to scenario planning to help them map out the "what if" questions. Managers anticipate possible futures, especially in a fast-changing environment.

Feedback: Scenario planning is useful when the risk of uncertainty is high.

AACSB: Analytic

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 02-06 Compare and contrast strategic planning; scenario planning; and strategy as planned emergence; and discuss strategic implications.

Topic: Strategizing for Competitive Advantage: How is Strategy "Made"?

93. Describe how a dominant strategic plan is used within the implementation stage.

(p. 42)

A dominant strategic plan is the option that management thinks most accurately matches reality. If reality changes, they can implement another plan that was formed in the formulation stage. Performance in the marketplace acts as feedback for managers.

Feedback: The dominant strategic plan is a vital part of scenario planning.

AACSB: Analytic

Blooms: Analyze

Difficulty: 2 Medium

Learning Objective: 02-06 Compare and contrast strategic planning; scenario planning; and strategy as planned emergence; and discuss strategic implications.

Topic: Strategizing for Competitive Advantage: How is Strategy "Made"?

94. Compare and contrast realized and unrealized strategy.

(p. 44)

Realized strategy is a combination of serendipity and bottom-up emergent strategy. Unrealized strategy is unexpected events that make a firm's strategies fall by the wayside. Both realized and unrealized strategies have unexpected events (whether good or bad) that force a firm to reevaluate or eliminate a strategic plan.

Feedback: Realized strategy is the pattern of actions that constitute a firm's strategy in the Mintzberg framework.

AACSB: Analytic

Blooms: Analyze

Difficulty: 2 Medium

95. How is a real options perspective different from calculating the net present value?
(p. 46)

A real options perspective is decision making where a large investment decision is broken down into a set of smaller decisions that are staged sequentially over time to obtain more information. Net present value is a numeric calculation to help managers determine whether or not an investment is a rational decision. Both tools are from finance and have been used in evaluating strategic projects.

Feedback: The real options perspective enables the "ideas bloom" approach, which is using small amounts of funding to explore a number of projects for a longer time period.

AACSB: Analytic

Blooms: Analyze

Difficulty: 2 Medium