

Strategic Management in Action, 6e (Coulter)
Chapter 1 Introducing the Concepts

1) Companies that use strategic management tend to have higher levels of performance.

Answer: TRUE

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Topic: Explain Why Strategic Management Is Important

AACSB: Reflective Thinking

Objective: Define strategic management and identify its basic components

2) Strategy should be developed from a number of approaches rather than a single approach.

Answer: TRUE

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Topic: Explain Why Strategic Management Is Important

AACSB: Reflective Thinking

Objective: Define strategic management and identify its basic components

3) An organization's simple action can be considered a strategy.

Answer: FALSE

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Topic: Explain What Strategic Management Is

AACSB: Analytical Skills

Objective: Define strategic management and identify its basic components

4) Strategy involves only the examination of an organization's goals.

Answer: FALSE

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Topic: Explain What Strategic Management Is

AACSB: Analytical Skills

Objective: Define strategic management and identify its basic components

5) An organization's strategy is its goal-directed decisions and actions in which its capabilities and resources are matched with the opportunities and threats in its environment.

Answer: TRUE

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Topic: Explain What Strategic Management Is

AACSB: Analytical Skills

Objective: Define strategic management and identify its basic components

6) A situation analysis is the first step in the sequential strategic management process.

Answer: TRUE

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Topic: Explain What Strategic Management Is

AACSB: Analytical Skills

Objective: Define strategic management and identify its basic components

7) Functional strategies are the goal-directed plans and actions of the organization's various functional departments.

Answer: FALSE

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Topic: Explain What Strategic Management Is

AACSB: Reflective Thinking

Objective: Define strategic management and identify its basic components

8) Business strategies are concerned with the broad and more long-term choices of "what business(es) are we in or do we want to be in, and what do we want to do with these businesses?"

Answer: FALSE

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Topic: Explain What Strategic Management Is

AACSB: Reflective Thinking

Objective: Define strategic management and identify its basic components

9) Strategy implementation is the process of evaluating how the strategy has been implemented, as well as the outcomes of the strategy.

Answer: FALSE

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Topic: Explain What Strategic Management Is

AACSB: Reflective Thinking

Objective: Define strategic management and identify its basic components

10) The Surprise Principle of War calls for striking at the enemy at a time or a place that's unexpected.

Answer: TRUE

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Topic: Explain What Strategic Management Is

AACSB: Analytical Skills

Objective: Define strategic management and identify its basic components

11) The fields of economics and organization studies provided the earliest academic bases for strategic management.

Answer: TRUE

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Topic: Explain What Strategic Management Is

AACSB: Analytical Skills

Objective: Define strategic management and identify its basic components

12) A company's board of directors' legal obligation is to represent the shareholders and protect their interests.

Answer: TRUE

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Topic: Explain Who's Involved With Strategic Management

AACSB: Ethical Reasoning

Objective: Describe modern corporate governance practices

13) Significant changes in legal mandates, investor activism, and corporate strategy have changed the roles of many boards in the strategic management process.

Answer: TRUE

Diff: 2 Page Ref: 12

Topic: Explain Who's Involved With Strategic Management

AACSB: Ethical Reasoning

Objective: Describe modern corporate governance practices

14) Preparation of strategic plans are a typical board responsibility.

Answer: FALSE

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Topic: Explain Who's Involved With Strategic Management

AACSB: Reflective Thinking

Objective: Define strategic management and identify its basic components

15) The CEO's typical role is that of the chief strategist.

Answer: TRUE

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Topic: Explain Who's Involved With Strategic Management

AACSB: Analytical Skills

Objective: Define strategic management and identify its basic components

16) Strategy formulation is the responsibility of managers and employees at other levels throughout the organization.

Answer: FALSE

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Topic: Explain Who's Involved With Strategic Management

AACSB: Analytical Skills

Objective: Define strategic management and identify its basic components

17) The most basic question(s) in strategy is (are)

A) Is strategy important?

B) Why do firms succeed or fail?

C) Why do firms have varying levels of performance?

D) Is strategy important? and Why do firms have varying levels of performance?

E) Why do firms succeed or fail? and Why do firms have varying levels of performance?

Answer: E

Diff: 2 Page Ref: 2

Topic: Explain Why Strategic Management Is Important

AACSB: Reflective Thinking

Objective: Define strategic management and identify its basic components

- 18) Bases for understanding strategic management are all of the following **except**
- A) managing strategically makes a difference in an organization's performance.
 - B) all organizations encounter changing situations.
 - C) single approaches to strategy development are superior to multiple approaches.
 - D) All of the answer choices are correct.
 - E) None of the answer choices is correct.

Answer: C

Diff: 3 Page Ref: 3

Topic: Explain Why Strategic Management Is Important

AACSB: Analytical Skills

Objective: Define strategic management and identify its basic components

- 19) Strategic management is defined as
- A) those decisions and actions where organizational members analyze the current situation and develop appropriate strategies.
 - B) putting those strategies into action.
 - C) evaluating and changing those strategies as needed.
 - D) developing appropriate strategies.
 - E) All of the answer choices are correct.

Answer: E

Diff: 2 Page Ref: 5

Topic: Explain What Strategic Management Is

AACSB: Analytical Skills

Objective: Define strategic management and identify its basic components

- 20) The following are all features of strategic management **except**
- A) interdisciplinary.
 - B) external focus.
 - C) internal focus.
 - D) future direction.
 - E) All of the answer choices are correct.

Answer: E

Diff: 2 Page Ref: 5

Topic: Explain What Strategic Management Is

AACSB: Reflective Thinking

Objective: Define strategic management and identify its basic components

21) How is strategic management different from other types of management?

A) Strategic management has an external focus by its emphasis on the interactions of the organization with its external environment.

B) Strategic management involves the organization's specific resources and capabilities.

C) Strategic management concerns itself with the choice of future direction that the organization is going.

D) Strategic management enables managers to evaluate the organization's internal and external situation and decide future actions to take.

E) All of the answer choices are correct.

Answer: E

Diff: 3 Page Ref: 5

Topic: Explain What Strategic Management Is

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22) An organization's _____ are its goal-directed plans and actions in which its capabilities and resources are matched with the opportunities and threats in its environment.

A) mission statements

B) vision statements

C) strategies

D) objectives

E) None of the answer choices is correct.

Answer: C

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Topic: Explain What Strategic Management Is

AACSB: Analytical Skills

Objective: Define strategic management and identify its basic components

23) Which of the following is not a characteristic of strategic management that makes it different from other types of management?

A) It is interdisciplinary.

B) It has an external focus.

C) It has an internal focus.

D) It concerns the present direction of the organization.

E) None of the answer choices is correct.

Answer: D

Diff: 2 Page Ref: 5

Topic: Explain What Strategic Management Is

AACSB: Reflective Thinking

Objective: Define strategic management and identify its basic components

24) The basic activities of strategic management include

- A) offense, defense, and control.
- B) situation analysis, strategy formulation, strategy implementation, and strategy evaluation.
- C) development, control, and management.
- D) ethics, management, and practice.
- E) None of the answer choices is correct.

Answer: B

Diff: 2 Page Ref: 5

Topic: Explain What Strategic Management Is

AACSB: Analytical Skills

Objective: Define strategic management and identify its basic components

25) An organization's strategies should be designed so that they incorporate

- A) opportunities and threats.
- B) resources and capabilities.
- C) only traditional values of past organizations.
- D) opportunities, threats, resources, and capabilities.
- E) None of the answer choices is correct.

Answer: D

Diff: 2 Page Ref: 5

Topic: Explain What Strategic Management Is

AACSB: Analytical Skills

Objective: Define strategic management and identify its basic components

26) Situation analysis involves the process of

- A) designing and choosing appropriate organizational strategies.
- B) analyzing the current environment of the organization.
- C) analyzing the external environment only.
- D) evaluating the internal aspects of the organization.
- E) None of the answer choices is correct.

Answer: B

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Topic: Explain What Strategic Management Is

AACSB: Analytical Skills

Objective: Define strategic management and identify its basic components

27) Situation analysis allows the organization to examine

- A) external factors only.
- B) internal factors only.
- C) the organization's top management only.
- D) both external and internal factors.
- E) None of the answer choices is correct.

Answer: D

Diff: 3 Page Ref: 7

Topic: Explain What Strategic Management Is

AACSB: Analytical Skills

Objective: Define strategic management and identify its basic components

28) Examples of an organization's functional units include all of the following **except**

- A) marketing.
- B) research and development.
- C) competencies.
- D) production.
- E) All of the answer choices are correct.

Answer: C

Diff: 2 Page Ref: 7

Topic: Explain What Strategic Management Is

AACSB: Analytical Skills

Objective: Define strategic management and identify its basic components

29) One issue considered in developing corporate strategies is

- A) What business(es) are we in?
- B) What direction are we going?
- C) What resources do we have to implement our strategies?
- D) What businesses are we in and what to do with those businesses?
- E) None of the answer choices is correct.

Answer: D

Diff: 2 Page Ref: 7

Topic: Explain What Strategic Management Is

AACSB: Reflective Thinking

Objective: Define strategic management and identify its basic components

30) Which of the following is not a major element of the strategic management process?

- A) Formulating strategy
- B) Implementing strategy
- C) Evaluating strategy
- D) Assigning administrative tasks
- E) Undertaking a situation analysis

Answer: D

Diff: 1 Page Ref: 8

Topic: Explain What Strategic Management Is

AACSB: Analytical Skills

Objective: Define strategic management and identify its basic components

- 31) Which of the following statements is not true regarding corporate strategies?
- A) They are concerned with the broad and more long-term issues of the organization.
 - B) They are concerned with how the organization is going to compete in a specific business or industry.
 - C) They are concerned with the direction the organization is headed.
 - D) They are concerned with the business(es) that the organization is in and the businesses they want to be in.
 - E) All of the answer choices are correct.

Answer: B

Diff: 3 Page Ref: 7

Topic: Explain What Strategic Management Is

AACSB: Analytical Skills

Objective: Define corporate strategy and identify its key elements

- 32) Types of strategies within organizations include

- A) corporate strategies.
- B) functional strategies.
- C) competitive strategies.
- D) All of the answer choices are correct.
- E) None of the answer choices is correct.

Answer: D

Diff: 2 Page Ref: 7

Topic: Explain What Strategic Management Is

AACSB: Analytical Skills

Objective: Define strategic management and identify its basic components

- 33) An example of a corporate strategy would involve

- A) the decision to increase the price of the Hummer.
- B) the decision to spin Taco Bell off from Pepsi.
- C) the decision to combine marketing functions in the Northeast and the Southeast.
- D) the decision to increase the advertising budget for Coca-Cola.
- E) None of the answer choices is correct.

Answer: B

Diff: 3 Page Ref: 7

Topic: Explain What Strategic Management Is

AACSB: Analytical Skills

Objective: Define corporate strategy and identify its key elements

34) An example of a competitive strategy is

- A) Hewlett-Packard offers larger discounts to students to compete against Dell Computers.
- B) Sprint offers lower connection fees to compete against Verizon.
- C) Ford Motor offers larger rebates and zero percent financing to compete against General Motors.

D) All of the answer choices are correct.

E) None of the answer choices is correct.

Answer: D

Diff: 3 Page Ref: 7

Topic: Explain What Strategic Management Is

AACSB: Analytical Skills

Objective: Define strategic management and identify its basic components

35) The organization type which first utilized strategy is

A) the entertainment organization.

B) the military organization.

C) the retail organization.

D) All of the answer choices are correct.

E) None of the answer choices is correct.

Answer: B

Diff: 1 Page Ref: 9

Topic: Explain What Strategic Management Is

AACSB: Analytical Skills

Objective: Define strategic management and identify its basic components

36) Strategy concepts have been utilized outside of businesses in

A) the military.

B) chess.

C) games such as Battleship.

D) All of the answer choices are correct.

E) None of the answer choices is correct.

Answer: D

Diff: 2 Page Ref: 10

Topic: Explain What Strategic Management Is

AACSB: Analytical Skills

Objective: Define strategic management and identify its basic components

37) As part of its training, most military academies teach

- A) the Nine Principles of War.
- B) the Seven Principles of Success.
- C) the Five Keys to Effectiveness.
- D) the Eight Steps to Efficiency.
- E) the Three Principles to Effective Leadership.

Answer: A

Diff: 1 Page Ref: 9

Topic: Explain What Strategic Management Is

AACSB: Analytical Skills

Objective: Define strategic management and identify its basic components

38) The academic discipline primarily responsible for the development of strategic management is

- A) accounting.
- B) economics.
- C) biology.
- D) philosophy.
- E) anthropology.

Answer: B

Diff: 1 Page Ref: 10

Topic: Explain What Strategic Management Is

AACSB: Analytical Skills

Objective: Define strategic management and identify its basic components

39) Theories developed about the efficiency and effectiveness of organizations were written by

- A) Frederick Taylor.
- B) Chester Barnard.
- C) Max Weber.
- D) All of the answer choices are correct.
- E) None of the answer choices is correct.

Answer: D

Diff: 2 Page Ref: 10

Topic: Explain What Strategic Management Is

AACSB: Analytical Skills

Objective: Define strategic management and identify its basic components

40) In the development of strategic management as a discipline, Alfred Chandler wrote the book

- A) Corporate Strategy.
- B) Business Policy: Text and Cases.
- C) The Pursuit of Excellence.
- D) Strategy and Structure.
- E) The Teflon Leader.

Answer: D

Diff: 1 Page Ref: 10

Topic: Explain What Strategic Management Is

AACSB: Analytical Skills

Objective: Define strategic management and identify its basic components

41) Strategic management affects all organizational members. However, the only issue that differs among organizational members is

- A) the stage of the strategic management process.
- B) the scope of the individual's actions.
- C) the development of the strategy.
- D) All of the answer choices are correct.
- E) None of the answer choices is correct.

Answer: B

Diff: 2 Page Ref: 11

Topic: Explain Who's Involved With Strategic Management

AACSB: Reflective Thinking

Objective: Define strategic management and identify its basic components

42) The board of directors in an organization

- A) plays a significant role in corporate governance.
- B) is responsible for the implementation of the organization's operating activities.
- C) serves in the role of executive management.
- D) is not an important part of the organization's strategic development.
- E) None of the answer choices is correct.

Answer: A

Diff: 1 Page Ref: 11

Topic: Explain Who's Involved With Strategic Management

AACSB: Analytical Skills

Objective: Describe modern corporate governance practices

43) One of the issues that has increased the role of the board of directors is

- A) legal mandates.
- B) investor activism.
- C) corporate strategy.
- D) All of the answer choices are correct.
- E) None of the answer choices is correct.

Answer: D

Diff: 2 Page Ref: 12

Topic: Explain Who's Involved With Strategic Management

AACSB: Ethical Reasoning

Objective: Describe modern corporate governance practices

44) Aspects of a chief executive's role include

- A) key decision maker.
- B) visionary leader.
- C) political actor.
- D) strategy designer.
- E) All of the answer choices are correct.

Answer: E

Diff: 2 Page Ref: 12

Topic: Explain Who's Involved With Strategic Management

AACSB: Analytical Skills

Objective: Define strategic management and identify its basic components

45) All of the following roles are representative of effective strategic leadership **except**

- A) establishing appropriately balanced controls.
- B) checking inventory management.
- C) exploiting and maintaining core competencies.
- D) emphasizing ethical decisions and practices.
- E) creating and sustaining strong organizational culture.

Answer: B

Diff: 2 Page Ref: 13

Topic: Explain Who's Involved With Strategic Management

AACSB: Reflective Thinking

Objective: Define strategic management and identify its basic components

46) One strategic responsibility of managers and employees at other levels throughout the organization is

- A) strategy implementation.
- B) situation analysis.
- C) strategy formulation.
- D) developing the organization's vision.
- E) None of the answer choices is correct.

Answer: A

Diff: 2 Page Ref: 13

Topic: Explain Who's Involved With Strategic Management

AACSB: Analytical Skills

Objective: Define strategic management and identify its basic components

47) An important issue affecting strategic management in today's world is

- A) globalization.
- B) corporate governance.
- C) e-business.
- D) All of the answer choices are correct.
- E) None of the answer choices is correct.

Answer: D

Diff: 2 Page Ref: 14

Topic: Discuss Two Important Factors Impacting Strategic Management Today

AACSB: Use of Information Technology, Multicultural and Diversity

Objective: Define strategic management and identify its basic components

48) _____ is the determination of the broad uses to which organizational resources will be deployed and the resolution of conflicts among the myriad of participants in organizations.

- A) Vision
- B) Mission
- C) Corporate governance
- D) Goals
- E) Objectives

Answer: C

Diff: 2 Page Ref: 16

Topic: Discuss Two Important Factors Impacting Strategic Management Today

AACSB: Reflective Thinking

Objective: Describe modern corporate governance practices

49) The Sarbanes-Oxley Act of 2002 is a U.S. federal law designed to protect investors by improving the accuracy and reliability of

- A) the corporate vision.
- B) the corporate mission.
- C) corporate disclosures.
- D) the balanced scorecard.
- E) All of the answer choices are correct.

Answer: C

Diff: 3 Page Ref: 16

Topic: Discuss Two Important Factors Impacting Strategic Management Today

AACSB: Ethical Reasoning, Analytical Skills

Objective: Describe modern corporate governance practices

50) In addition to expanding the role of board members, the Sarbanes-Oxley Act of 2002 also called for more disclosure and transparency of

- A) the corporate vision.
- B) the corporate mission.
- C) financial information.
- D) the balanced scorecard.
- E) All of the answer choices are correct.

Answer: C

Diff: 3 Page Ref: 17

Topic: Discuss Two Important Factors Impacting Strategic Management Today

AACSB: Ethical Reasoning, Analytical Skills

Objective: Describe modern corporate governance practices

51) Section 404 of the Sarbanes-Oxley Act deals with the establishment and auditing of

- A) external financial controls.
- B) internal financial controls.
- C) appointment of the CEO.
- D) appointment of Board members.
- E) All of the answer choices are correct.

Answer: B

Diff: 1 Page Ref: 17

Topic: Discuss Two Important Factors Impacting Strategic Management Today

AACSB: Analytical Skills

Objective: Describe modern corporate governance practices

George Smith, the new CEO of No Leaks Plumbing, has been hired to develop an effective strategic plan so this company can become number one in their market. You have been asked to give Mr. Smith advice on how best to follow the strategic management process.

52) Which of the following is the first step Mr. Smith should complete when developing No Leaks Plumbing's strategic plan?

- A) Situation analysis
- B) Strategy formulation
- C) Strategy implementation
- D) Strategy evaluation
- E) Strategy reformulation

Answer: A

Diff: 2 Page Ref: 6

Topic: Explain What Strategic Management Is

AACSB: Analytical Skills

Objective: Define strategic management and identify its basic components

53) Mr. Smith has decided to offer free delivery of orders more than \$1,000 to outcompete his largest competitor. This strategy is an example of which of the following types of strategy?

- A) Corporate strategy
- B) Functional strategy
- C) Competitive strategy
- D) Operational strategy
- E) Organizational strategy

Answer: C

Diff: 2 Page Ref: 7

Topic: Explain What Strategic Management Is

AACSB: Analytical Skills

Objective: Define strategic management and identify its basic components

54) Mr. Smith has been losing money on the free delivery of orders more than \$1,000 and is determining if there are other ways to outcompete his largest competitor. Mr. Smith is at which of the following steps in the strategic management process?

- A) Situation analysis
- B) Strategy formulation
- C) Strategy implementation
- D) Strategy evaluation
- E) Strategy reformulation

Answer: D

Diff: 2 Page Ref: 8

Topic: Explain What Strategic Management Is

AACSB: Analytical Skills

Objective: Define strategic management and identify its basic components

55) Mr. Smith has been summoned to the next No Leaks Plumbing's, a publicly-held company, Board of Directors' meeting to explain why his new delivery strategy has cost the company \$10,000. This is an example of which of the following Board of Directors responsibilities?

- A) Protecting the interests of the shareholders
- B) Overseeing the company's management
- C) Governing the organization's decisions and actions
- D) All of the answer choices are correct.
- E) None of the answer choices is correct.

Answer: D

Diff: 2 Page Ref: 11

Topic: Explain Who's Involved With Strategic Management

AACSB: Analytical Skills

Objective: Describe modern corporate governance practices

56) Describe the strategic management process. What does it mean to manage strategically?

Answer: Strategic management involves a series of steps in which organizational members analyze the current situation, decide on strategies, put those strategies into action, and evaluate/modify/change strategies as needed. The process of strategic management involves situation analysis, strategy formulation, strategy implementation, and evaluation. Managing strategically involves formulating strategic responses and putting them into action.

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Topic: Explain What Strategic Management Is

AACSB: Reflective Thinking

Objective: Define strategic management and identify its basic components

57) How are the three types of organizational strategies different?

Answer: Functional strategies (also called operational strategies) are the short-term (less than a year) goal-directed decisions and actions of the organization's various functional areas. The competitive strategies (also called business unit strategies) are concerned with how an organization is going to compete in a specific business or category. Corporate strategies are concerned with the broad and more long-term questions of "what business(es) are we in or do we want to be in, and what do we want to do with these businesses?"

Diff: 2 Page Ref: 7-8

Topic: Explain What Strategic Management Is

AACSB: Reflective Thinking

Objective: Define strategic management and identify its basic components

58) Discuss the various roles of the board of directors.

Answer: The board of directors constructs the elected representatives of the company's stockholders. They are responsible for corporate governance and are elected to protect the interests of the stockholder. In keeping with this mission, the board's responsibilities include developing management succession plans, approving an organizational philosophy, compensating top-level managers, and reviewing and approving strategic goals and plans.

Diff: 2 Page Ref: 11

Topic: Explain Who's Involved With Strategic Management

AACSB: Reflective Thinking

Objective: Describe modern corporate governance practices

59) Explain the components of effective strategic leadership.

Answer: Effective strategic leadership consists of the following roles:

- Establishing appropriately balanced controls
- Emphasizing ethical decisions and practices
- Creating and sustaining strong organizational culture
- Developing human capital
- Exploiting and maintaining core competencies
- Determining an organization's purpose or vision

Diff: 3 Page Ref: 13

Topic: Explain Who's Involved With Strategic Management

AACSB: Reflective Thinking

Objective: Define strategic management and identify its basic components

60) How has the Sarbanes-Oxley Act of 2002 reformed corporate governance?

Answer: Two areas in which corporate reform was mandated by the Sarbanes-Oxley Act of 2002 are the role of boards of directors and financial reporting. "Quid pro quo" arrangements, where board members "took care" of the CEO and the CEO "took care" of the board members changed with the passage of the Act. Demands on board members of publicly traded companies increased considerably. The Act also called for more disclosure and transparency of financial information. Senior managers are now required to certify their company's financial results.

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Topic: Explain Who's Involved With Strategic Management

AACSB: Reflective Thinking

Objective: Describe modern corporate governance practices