

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

1) Apple's success under its former CEO, Steve Jobs, was largely attributed to the quality of its leader. According to the text, this would be an example of the "romantic" perspective of leadership.

- ☐ true
- ☐ false

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

- ☐ true
- ☐ false

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

- ☐ true
- ☐ false

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

- ☐ true
- ☐ false

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

- ☐ true
- ☐ false

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

- ☐ true
- ☐ false

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

- ☐ true
- ☐ false

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

- ☐ true
- ☐ false

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

- ☐ true
- ☐ false

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

- ☐ true
- ☐ false

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

- ☐ true
- ☐ false

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

- ☐ true
- ☐ false

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

- ☐ true
- ☐ false

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

- ☐ true
- ☐ false

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

- ☐ true
- ☐ false

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

- ☐ true
- ☐ false

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

- ☐ true
- ☐ false

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

- ☐ true
- ☐ false

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

- ☐ true
- ☐ false

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

- ☐ true
- ☐ false

21) The fast-fashion business model of companies such as Inditex SA, the owner of Zara and several other brands, is fundamentally sustainable.

- ☐ true
- ☐ false

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

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

- A) romantic and unromantic.
- B) romantic and internal control.
- C) external control and unromantic.
- D) romantic and external control.

23) A leader in retail mattress retailing, Houston-based Mattress Firm, founded in 1986, acquired one of its chief rivals, Sleepy's, in 2015 for 780 million USD, thus giving it access to the important online marketplace. Mattress Firm continued to expand its retail operations largely through acquisitions that resulted in marketplace saturation of the physical retail alternatives it now owned. By 2015, online rivals such as Casper Sleep Inc. eroded Mattress Firm's market domination with their easy online purchasing logistics. What went wrong?

- A) CEO Steve Sanger faced external environmental challenges that affected the success of the company.
- B) Online retailers lacked physical retail locations.
- C) The cost of operating online operations was too high for Mattress Firm.
- D) Retail purchasers preferred to test mattresses in the store.

24) A CEO made a lot of mistakes in assessing the market and the competitive conditions and improperly redesigning the organization into numerous business units. Such errors led to significant performance declines. According to the text, this example illustrates the _____ perspective of leadership.

- A) external control
- B) romantic
- C) internal mechanism

D) operational

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

- A) economic downturns
- B) governmental legislation
- C) outbreak of war
- D) company employee morale

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

- A) analyses, actions, and synthesis.
- B) analyses, decisions, and actions.
- C) analyses, evaluation, and critique.
- D) analyses, synthesis, and decisions.

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

- A) companies that have implemented these techniques have lost money.
- B) there is no proof that these techniques work.
- C) they cost too much money and effort to implement.
- D) many companies are trying to implement them.

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

- A) good for a functional area are always good for the overall organization.

- B) good for the overall organization are always best for a functional area.
- C) best for a functional area may not be best for the overall organization.
- D) best for one functional area will never be best for all functional areas.

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

- A) be directed toward overall organizational goals and objectives.
- B) be focused only on long-term objectives.
- C) be focused on only one specific area of an organization.
- D) focus only on competitor strengths.

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

- A) including multiple stakeholder interests in decision making.
- B) incorporating both short-term and long-term perspectives.
- C) recognizing the trade-offs between effectiveness and efficiency.
- D) emphasis on the attainment of short-term objectives.

31) Effectiveness is often defined as

- A) doing things right.
- B) stakeholder satisfaction.
- C) doing the right thing.
- D) productivity enhancement.

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

- A) shareholders and employees
- B) employees and suppliers

- C) customers and the community at large
- D) customers only

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

- A) shareholder value is only measured by short-term returns.
- B) shareholders only care about long-term returns.
- C) long-term vision precludes the analysis of present operating needs.
- D) the creative tension between the two forces managers to develop more successful strategy.

34) Strategic management involves the recognition of trade-offs between effectiveness and

- A) cost.
- B) value.
- C) return on investment.
- D) efficiency.

35) All the following are ambidextrous behaviors *except*

- A) taking initiative and being alert to opportunities beyond the job description.
- B) being cooperative and seeking opportunities to combine personal efforts with that of others.
- C) intensely focusing on the responsibilities of one individual and maximizing the output of the department in the organization in which that individual works.
- D) being brokers, always looking to build internal linkages.

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

- A) alignment and adaptability
- B) alignment and transparency
- C) alignment and internal linkages
- D) alignment and efficiency

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

- A) stability and change.
- B) structure and culture.
- C) rewards and metrics.
- D) stability and metrics.

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

- A) a combination of deliberate and emergent strategies.
- B) a combination of deliberate and differentiation strategies.
- C) not deliberate.
- D) a result of unrealized intended strategy.

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

- A) Goal setting
- B) Corporate entrepreneurship
- C) Strategy analysis
- D) Organizational design

40) Strategy analysis is the starting point of the strategic management process and consists of the

- A) analysis only of the vision, mission, and objectives of the firm.
 - B) analysis of the relevant internal and external environmental factors only.
 - C) analysis of relevant competitors only.
 - D) matching of vision, mission, and objectives with the relevant internal and external environmental factors.
- 41)** Strategy formulation at the business level addresses best how to compete in a given business
- A) to attain competitive advantage.
 - B) to reduce costs.
 - C) to decrease buyer power.
 - D) to thwart entry of new rivals.
- 42)** Corporate level strategy focuses on what businesses to compete in and
- A) how business can be managed to achieve synergy.
 - B) how business can be managed to reduce synergy.
 - C) how the firm can work as a stand-alone entity.
 - D) how the firm can create more value by operating alone.
- 43)** Corporate-level strategy looks at how to manage the _____ of its businesses to create synergies.
- A) portfolio
 - B) stock prices
 - C) competitors
 - D) market pricing
- 44)** Entering foreign markets requires firms to ascertain foremost how they will attain

- A) market share.
- B) low costs.
- C) competitive advantage.
- D) low returns on investment.

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

- A) portfolio
- B) corporate-level
- C) business-level
- D) entrepreneurial

46) Two types of strategic control that firms must exercise for good strategy implementation are

- A) informational and confrontational.
- B) confrontational and behavioral.
- C) behavioral and financial.
- D) informational and behavioral.

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

- A) designs and plans
- B) organizational structures and designs
- C) adopters and designs
- D) adopters and plans

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

- A) internal and external
- B) individual and collective
- C) internal and collective
- D) external and individual

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

- A) performant
- B) strategic
- C) ethical
- D) positive

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

- A) innovative
- B) learning
- C) implementation
- D) business-level

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

- A) leadership
- B) competition
- C) coordination and integration of activities within and outside of the firm
- D) organizational commitment to excellence

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

- A) Considered strategic processes are applied.
- B) Strategies display systematic adaptability.
- C) Customer offerings are effectively differentiated by the organizations.
- D) To ensure that customer offerings are differentiated, management need not be assessed regularly.

53) The three participants in corporate governance are the shareholders,

- A) board of directors, and employees.
- B) labor unions, and employees.
- C) board of directors, and management.
- D) banks and lending institutions, and management.

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

- A) represent their own interests.
- B) represent the interests of the shareholders.
- C) direct all actions of the CEO.
- D) emphasize the importance of short-term goals.

55) Members of boards of directors are

- A) appointed by the Securities and Exchange Commission.
- B) elected by the shareholders as their representatives.
- C) elected by the public.
- D) only allowed to serve one term of four years.

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

- A) interests of the stockholders are not the only interests that matter.
- B) stakeholders are second in importance to the stockholders.
- C) stakeholders and managers inevitably work at cross-purposes.
- D) all stakeholders receive financial rewards.

57) Stakeholders are

- A) a new way to describe stockholders.
- B) individuals, groups, and organizations who have a stake in the success of the organization.
- C) creditors who hold a lien on the assets of the organization.
- D) attorneys and their clients who sue the organization.

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

- A) zero-sum relationship among stakeholders.
- B) stakeholder symbiosis.
- C) rewarding stakeholders.
- D) emphasizing financial returns.

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

- A) all parts of the organization gain at no loss.
- B) in order for someone to gain others must experience no gain or benefit.
- C) one can only gain at the expense of someone else.
- D) everyone in the organization shares gains and losses equally.

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

- A) stakeholders are dependent on each other for their success.
- B) stakeholders look out for their individual interests.
- C) one can only gain at the expense of someone else.
- D) all stakeholders want to maximize shareholder returns.

61) Employee stakeholders are concerned with

- A) taxes, warranties, and regulations.
- B) wages, benefits, and job security.
- C) good citizenship behavior.
- D) dividends.

62) Stockholders as a stakeholder group are interested primarily in

- A) payment of interest and repayment of principal.
- B) value and warranties.
- C) dividends and capital appreciation.
- D) taxes and compliance with regulations.

63) Wall Street executives have received excessive bonus pay in the past. This concerns which of the following stakeholder groups most directly?

- A) government
- B) suppliers
- C) creditors
- D) stockholders

64) Supplier stakeholders are concerned with

- A) assurance of a continued relationship with the firm.
- B) employee benefits.
- C) safe working conditions.
- D) capital appreciation.

65) Community stakeholders are concerned primarily with

- A) product warranties.
- B) corporate citizenship behavior.
- C) capital appreciation.
- D) repayment of principal.

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

- A) expectation that business will strive to improve the overall welfare of society.
- B) idea that organizations are solely responsible to local citizens.
- C) fact that court costs could impact the financial bottom line.
- D) idea that businesses are responsible for maintaining a healthy social climate for their employees.

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

- A) financial, environmental, and customer
- B) financial, organizational, and customer
- C) financial, environmental, and social
- D) financial, organizational, and psychological

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

- A) suppliers.
- B) rivals.
- C) government agencies.
- D) consumers.

69) According to the Corporate Citizenship poll conducted by Cone Communications, most Americans say they would be likely to switch brands to one associated with a good cause, if there are similarities between

- A) price and availability.
- B) availability and quality.
- C) price and quality.
- D) price and durability.

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

- A) quality and profitability
- B) sustainability and profitability
- C) ROI and quality
- D) availability and ROI

71) The ROI on sustainability efforts can be difficult to quantify because

- A) an excess of necessary data for accurate calculation is readily available.
- B) benefits from such projects are tangible.
- C) the payback period is on a different time frame.
- D) the payback period is on the same time frame.

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

- A) external; bio
- B) internal; process
- C) external; external
- D) internal; internal

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

- A) clear tangibles.
- B) clear intangibles.
- C) fuzzy tangibles.
- D) fuzzy intangibles.

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

- A) measurable and unmeasurable
- B) financial and physical
- C) tangible and intangible
- D) measurable and physical

75) Some benefits of sustainability projects include

- A) reducing risks.
- B) lagging behind regulations.
- C) displeasing communities.
- D) ignoring employee morale.

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

- A) each functional area focuses on achieving their own goals.
- B) goals are defined at the bottom and implemented at the top.
- C) functional areas work together to attain overall goals.
- D) management and employees have separate goals.

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

- A) the CEO and the board of directors.
- B) the board of directors, CEO, and CFO.
- C) rivals.
- D) line and staff managers.

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

- A) at the top of the organization.
- B) at the middle of the organization.
- C) throughout the organization.
- D) from the bottom up.

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

- A) Local line leaders
- B) Executive leaders
- C) Internal networkers
- D) Shop floor leaders

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

- A) local line leaders
- B) executive leaders
- C) internal networkers
- D) shop floor leaders

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

- A) only at the top
- B) in the middle
- C) throughout the organization
- D) only during times of change

82) Local line leaders have _____ responsibility.

- A) local
- B) executive

- C) profit-and-loss
- D) no

83) Internal networks generate their power through the _____ of their ideas.

- A) validity and correctness
- B) conviction and clarity
- C) validation and recognition
- D) approval and awareness

84) Executive leaders champion and guide ideas by

- A) reinforcing ideas that did not work.
- B) creating a learning infrastructure.
- C) validating their formal authority.
- D) increasing their personal power.

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

- A) formal
- B) hierarchal
- C) multi-level
- D) informal

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

- A) processes
- B) buy-back

- C) structures
- D) edicts

87) Netflix inculcates a strategic management perspective by

- A) emphasizing transparency.
- B) creating an environment of non-sharing.
- C) obliging a top-down management style.
- D) training only high potential employees.

88) For strategic management to be effective in achieving organizational goals,

- A) people throughout the organization must work in isolation.
- B) top managers only take an integrative, strategic perspective.
- C) leaders alone are responsible for the organizational outcome.
- D) people throughout the organization must strive toward overall goals.

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

- A) age
- B) seniority
- C) position
- D) education

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

- A) vision statements, strategic objectives, mission statements.
- B) mission statements, strategic objectives, vision statements.

- C) vision statements, mission statements, strategic objectives.
- D) mission statements, vision statements, strategic objectives.

91) Vision statements are used to create a better understanding of the overall purpose and direction of the organization. Vision statements

- A) are very specific.
- B) provide specific objectives.
- C) set organizational structure.
- D) are massively inspiring.

92) Effective vision statements include

- A) all strategic directions of the organization.
- B) a brief statement of the company's direction.
- C) strategic posturing and future objectives.
- D) financial objectives and projected figures.

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

- A) strategic objective.
- B) vision statement.
- C) vague statement of direction.
- D) line manager's individual goal.

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

- A) values, aspirations, and goals
- B) expected returns and limitations
- C) outstanding debt
- D) credibility

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

- A) be shorter in length.
- B) encompass both the purpose of the company as well as the basis of competition.
- C) encompass all the major rules and regulations of the corporate work force.
- D) be less detailed.

96) The vision and mission statements of a company set the overall direction of the organization. Strategic objectives serve what role?

- A) operationalize the mission statement
- B) modify the mission statement
- C) are a shorter version of the mission statement
- D) are only clarified by the board of directors

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

- A) they are asked to do their best.
- B) work requirements are vague and unclear.
- C) they are striving toward specific goals.
- D) they are guided by an abstract mission statement.

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

- A) nonfinancial strategic objective.
- B) financial strategic objective.
- C) vision statement.
- D) mission statement.

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

- A) nonfinancial strategic objective.
- B) financial strategic objective.
- C) vision statement.
- D) mission statement.

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

- A) put financial objectives above human considerations.
- B) align departments toward departmental goals.
- C) help resolve conflicts through their common purpose.
- D) cause debate and increase conflict.

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

- A) Increase sales growth 6 percent to 8 percent and accelerate core net earnings growth from 13 percent to 15 percent per share in each of the next 5 years. (Procter & Gamble)
- B) Reduce volatile air emissions 15 percent by 2015 from 2010 base year, indexed to net sales. (3M)
- C) Generate Internet-related revenue of \$1.5 billion. (AutoNation)
- D) Cut corporate overhead costs by \$30 million per year. (Fortune Brands)

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

- A) mission statements
- B) vision statements
- C) organization structure
- D) objectives

103) What is the overall purpose of a corporation?

- A) to maximize the long-term return to the shareholders
- B) to maximize the short-term return to the shareholders
- C) to maximize the long-term return to all the stakeholders
- D) to maximize the short-term return to all the stakeholders

104) Boards of directors (BOD) as elected representatives of the shareholders are charged with ensuring that the interests and motives of management are aligned with those of the owners. Which one of the following is *not* part of their general practices?

- A) Follow guidelines on the selection of director candidates.
- B) Follow guidelines to ensure that its members are independent.
- C) Provide detailed procedures for formal evaluations of directors and top officers of the firm.
- D) Refrain from strategic support for management efforts to create long-term value.

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

- A) proper managerial rewards and incentives
- B) threat of hostile takeovers
- C) shareholder activism

D) an effective and engaged board of directors

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

- A) customers.
- B) suppliers.
- C) competitors.
- D) employees.

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

- A) The payback period is on a different time frame.
- B) Many of the benefits from such projects are tangible and easily measured.
- C) The data necessary to calculate accurate ROI in sustainability projects is frequently not available.
- D) Many of the benefits of sustainability projects are intangible and not easily measured.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Answer Key

Test name: Chapter 01

- 1) TRUE
- 2) TRUE
- 3) TRUE
- 4) TRUE
- 5) TRUE
- 6) FALSE
- 7) FALSE
- 8) FALSE
- 9) FALSE
- 10) FALSE
- 11) FALSE
- 12) FALSE
- 13) TRUE
- 14) TRUE
- 15) FALSE
- 16) FALSE
- 17) TRUE

- 18) TRUE
- 19) FALSE
- 20) FALSE
- 21) FALSE
- 22) D
- 23) A
- 24) B
- 25) D
- 26) B
- 27) D
- 28) C
- 29) A
- 30) D
- 31) C
- 32) D
- 33) D
- 34) D
- 35) C
- 36) A
- 37) A
- 38) A

39) C

40) D

41) A

42) A

43) A

44) C

45) D

46) D

47) B

48) B

49) C

50) A

51) B

52) D

53) C

54) B

55) B

56) A

57) B

58) B

59) C

60) A

61) B

62) C

63) D

64) A

65) B

66) A

67) C

68) D

69) C

70) B

71) C

72) B

73) D

74) C

75) A

76) C

77) C

78) C

79) C

80) B

- 81) C
- 82) C
- 83) B
- 84) B
- 85) D
- 86) A
- 87) A
- 88) D
- 89) C
- 90) C
- 91) D
- 92) B
- 93) B
- 94) A
- 95) B
- 96) A
- 97) C
- 98) B
- 99) A
- 100) C
- 101) B

102) D

103) A

104) D

105) D

106) C

107) B

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

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

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

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

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

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

114) Strategic management consists of the analyses, decisions, and actions an organization undertakes in order to create and sustain competitive advantages. Key attributes of strategic management include: Directs the organization toward overall goals and objectives; Includes multiple stakeholders in decision making; Needs to incorporate short-term and long-term perspectives; Recognizes trade-offs between efficiency and effectiveness. Managers must maintain both a vision for the future of the organization and a focus on its present operating needs. However, financial markets can exert significant pressures on executives to meet short-term performance targets. Studies have shown that corporate leaders often take a short-term approach to the detriment of creating long-term shareholder value.

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

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

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

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

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

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

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

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