

Chapter 2: Strategic Objectives

TRUE/FALSE

1. An objective is a short-term target or milestone with defined measureable achievements.

ANS: T PTS: 1

2. The labels a firm uses for its written statements of strategic direction are just as important as the elements they contain.

ANS: F PTS: 1

3. Organizations can set whatever objectives they please, unconstrained by the pressures external stakeholders may exert.

ANS: F PTS: 1

4. An objective can be a desired state or hoped-for level of success.

ANS: T PTS: 1

5. Emergent strategies tend to have measureable objectives attached to them.

ANS: F PTS: 1

6. It is not necessary for strategic objectives to be understood by all managers.

ANS: F PTS: 1

7. When pursuing an incremental strategy approach objectives may change from those established and made explicit sometime in the past.

ANS: T PTS: 1

8. It has been suggested that the business definition question should include not only “What is our business?” but also “What *was* our business?”

ANS: F PTS: 1

9. Objectives make the general direction of the organization concrete and achievable.

ANS: T PTS: 1

10. Many organizations begin with a very broad business definition and then cut it back as the years progress.

ANS: F PTS: 1

11. Judgment is the capability of making successful decisions when no obviously correct model or rule is available or when relevant data are unreliable or incomplete.

ANS: T PTS: 1

12. Strategic decisions are different from other types of decisions because they are easily made using past history and experience; strategic decisions become routinized over a period of time.

ANS: F PTS: 1

13. Strategic objectives, rather than the challenges of an organization's vision, can motivate managers in their day-to-day activities.

ANS: F PTS: 1

14. Strategic decisions typically involve the commitment of significant resources and are not easily reversed.

ANS: T PTS: 1

15. Studies have consistently shown that significant differences of opinion exist among senior-level executives about both strategic goals and the means to accomplish them.

ANS: T PTS: 1

16. Senior managers can devolve responsibility for communicating strategic objectives.

ANS: F PTS: 1

17. Each division and business unit must have goals consistent with the overarching corporate objectives.

ANS: T PTS: 1

18. Consistency of organizational objectives, strategies and goals is not always necessary.

ANS: F PTS: 1

19. Western firms tend to focus on relatively short-term profits and shorter planning horizons.

ANS: T PTS: 1

20. In emergent strategies objectives may exist but may be implicit rather than explicit.

ANS: T PTS: 1

21. Objectives establish direction but never include specific end points.

ANS: F PTS: 1

22. A change in objectives is likely to result in changes of strategy.

ANS: T PTS: 1

23. The business model provides an explanation of an organization's 'recipe for success'.

ANS: T PTS: 1

24. An organization's business model is irrelevant when it is considering its strategy.

ANS: F PTS: 1

25. An organization's purpose must be translated into a set of primary objectives, called 'strategic objectives'.

ANS: T PTS: 1

MULTIPLE CHOICE

1. Strategic objectives are a characteristic of:

- a. Emergent strategy
- b. Planned strategy
- c. Realised strategy
- d. Competitive strategy

ANS: B PTS: 1

2. Strategic direction is reflected by:

- a. The organization's purpose
- b. The business model
- c. The organization's vision
- d. All of the above

ANS: D PTS: 1

3. Factors that influence strategic direction include all of the following *except*:

- a. Social trends
- b. Economic influences
- c. Competitors
- d. All of the above

ANS: D PTS: 1

4. Which of the following is **not** a characteristic that distinguishes strategic decisions from other kinds of decisions?

- a. Strategic decisions are ill-structured and non-routine
- b. Strategic decisions may not be linked with the success or failure of an organization
- c. Strategic decisions involve a significant commitment of resources
- d. Strategic decisions are difficult to reverse both economically and politically

ANS: B PTS: 1

5. The balanced scorecard (Kaplan and Norton) is an approach that:

- a. Focuses solely on financial objectives
- b. Is associated with marketing
- c. Seeks to integrate financial and strategic objectives
- d. Examines non-critical activity

ANS: C PTS: 1

6. In Kaplan and Norton's terms a *lagged measure* is:

- a. An obsolete measure
- b. A measure of past progress
- c. A measure that focuses on future activity
- d. A measure of the performance of competitors

ANS: B PTS: 1

7. In Kaplan and Norton's terms a *lead measure* is:

- a. leading the race to be measured
- b. A measure of past progress
- c. A measure that focuses on future activity
- d. A measure of supplier performance

ANS: C PTS: 1

8. Objective setting in the public and not-for-profit sectors will be different because:
- a. Quantitative measures could obscure more appropriate qualitative indicators
 - b. These organizations do not achieve objectives
 - c. They are not in competitive environments
 - d. Managers resist any attempt to work towards objectives

ANS: A PTS: 1

9. Strategic intent is:
- a. What the organization has historically achieved
 - b. How the organization will achieve its mission
 - c. How customers and suppliers will be partnered
 - d. A very ambitious and seemingly unrealistic long-term organizational goal used by Japanese firms

ANS: D PTS: 1

10. At an operational level objectives are often referred to as _____ and corporate objectives are sometimes called _____:
- a. Carrots *and* sticks
 - b. Imposed *and* optional
 - c. Targets *and* goals
 - d. Milestones *and* markers

ANS: C PTS: 1

11. It is important that objectives avoid:
- a. Being meaningless to those they are intended to influence
 - b. Being inconsistent with other existing objectives
 - c. Being the pet objectives of powerful figures in the organization
 - d. All of the above

ANS: D PTS: 1

12. Critical success factors (CSFs):
- a. Identify which suppliers will be worked with
 - b. Are the factors that primarily account for an organization's success in achieving its strategic purpose
 - c. Relate to functional performance
 - d. Are continuously changing

ANS: B PTS: 1

13. Critical success factors (CSFs) are a function of:
- a. The structure of a particular industry
 - b. Competitive strategy, industry position and geography
 - c. Environmental factors and temporal factors
 - d. All of the above

ANS: D PTS: 1

14. Key performance indicators (KPIs) are:
- a. The same as CSFs
 - c. Lower level incremental targets

- ANS: C PTS: 1

- Set of measures
- Own reporting protocol
- Advantages and disadvantages
- Improvement indices

- A marketing and brand perspective
- A communications perspective
- A learning and growth perspective
- None of the above

- Recruitment and retention rate
- Skills and training index
- Employee conditions and satisfaction index
- All of the above

- Tells you where the organization is headed
- Explores possible cause-and-effect relationships and the associated CSFs
- Is an industry analysis
- Explores the location of strategic groups

- Locate possible external partners
- Evaluate the basic assumptions for choosing certain objectives and measures
- Link the far and near external analyses
- Identify resources and capabilities

- Clarify immediate goals
- Help generate creativity and innovation
- Provide a broader canvas for senior managers to construct CSFs
- Identify customers and suppliers

- Document the CSFs in terms of the possible cause-and-effect linkages between the perspectives and the objectives
- Identify which suppliers are key and need to be partnered
- Demonstrate the linkages between resources and capabilities
- Reduce CSFs down to a manageable number

ANS: A PTS: 1

22. What is the most common problem organizations encounter when using the balanced scorecard?
- Its perspectives and measures are ignored by middle managers
 - Its purpose is communicated poorly leading to confusion
 - It misrepresents what is important to the organization
 - A proliferation of objectives and measures become too numerous to manage

ANS: D PTS: 1

23. Long-term objectives relate to:
- The desired performance over five years into the future
 - The desired performance at some undefined period into the future
 - The desired performance and results on an on-going basis
 - The desired performance over the next two to three years

ANS: C PTS: 1

24. Short-term objectives relate to:
- Near-term performance targets.
 - Performance over the next twelve months.
 - Financial targets only
 - Aspects of performance unrelated to long-term objectives

ANS: A PTS: 1

25. How many objectives and measures are recommended for strategic scorecards to be effective?
- | | |
|---------------------------------|--------------------------------|
| a. 24 objectives and 8 measures | c. 2 objectives and 6 measures |
| b. 8 objectives and 24 measures | d. 6 objectives and 6 measures |

ANS: B PTS: 1

SHORT ANSWER

1. What must a full consideration of objectives incorporate?

ANS:

- An appreciation of the objectives that the organization is actually pursuing and achieving – where it is going and why.
- The objectives that it might pursue, and the freedom and opportunity it has to make changes.
- Specific objectives for the future.

PTS: 1

2. What considerations must organizations in the public or not-for-profit sectors make when deciding upon strategic objectives?

ANS:

- Importance of stakeholders, particularly those who are providers of financial support.
- There will be a number of potentially conflicting objectives, and quite typically the financial ones will not be seen as the most essential in terms of the mission.
- While it is likely there will be a mix of quantitative and qualitative objectives, the former will be easier to measure, although the latter relate more closely to the mission of the organization.

- Because of the above, the efficient use of resources becomes an important objective.

PTS: 1

3. What four fundamental questions does the balanced scorecard encourage organizations to address?

ANS:

- To succeed financially, how should we appear to our shareholders?
- To achieve our vision, how should we appear to our customers?
- To satisfy our shareholders and customers, what business processes must we excel at?
- To achieve our vision, how will we sustain our ability to change and improve?

PTS: 1

4. Give an example of an objective for each of the four perspectives of the balanced scorecard.

ANS:

- Financial perspective. To maximize financial returns to the owners of an organization's capital.
- Customers perspective. To sustain customer relationships.
- Internal processes perspective. To create and maximise value in the customer-vendor relationship.
- Learning and growth perspective. To motivate people and develop competences.

PTS: 1

5. What is the four-part process Kaplan and Norton advise managers use to ensure the balanced scorecard is utilised effectively?

ANS:

- Agree the scorecard's objectives and measures.
- Communicate the scorecard and work towards aligning the organization's management controls systems with it.
- Use the scorecard for identifying strategic initiatives and the development of mid-term plans
- Draw from the strategic feedback the model stimulates to foster organizational learning.

PTS: 1

6. How should organizations overcome the problem of having too many objectives and measures to manage when using the balanced scorecard?

ANS:

- Avoid the temptation of allowing newcomers to the approach to create their own measures from a larger number of existing measures.
- Make sure that the objectives and measures included are truly strategic and not operational.
- Avoid the trap of only measuring that which is easiest to measure, as these activities may not necessarily be the most important.
- Typically, specific indicators for diagnostic control will be better to focus on than those that only reveal something of the broader and more general strategic picture.

PTS: 1

7. What are the four basic approaches related to the positioning element of the business model?

ANS:

- A narrow product (or service) range for a broad range of customers.
- A broad product range for a defined segment of the market.
- A narrow range for a targeted niche.
- A broad range for a wide market.

PTS: 1

8. Give three examples of the kind of new business models emerging as a result of the opportunities new economies hold?

ANS:

- Consolidation in the small and medium-sized enterprises (SME) sector as large organizations grow bigger by systematically absorbing a series of small (and sometimes local) businesses. Examples include funeral services and Hanson, the UK-based aggregates business which operates mainly in the US and UK.
- Throwaway varieties of such products as watches and cameras.
- Individual customizing. Collector's editions of the ubiquitous Barbie doll appeal to certain enthusiasts and command a premium price.

PTS: 1

9. Explain the distinction Kaplan and Norton make between strategic objectives and measures, and diagnostic objectives and measures.

ANS:

- Strategic objectives and measures deal with the CSFs for an organization's vision.
- A strategic scorecard is limited to strategic objectives.
- Diagnostic objectives monitor the health of the organization to ensure it remains fit for purpose.
- Senior managers are proactively involved with strategic objectives, but become involved with diagnostic by exception, when their intervention is required.

PTS: 1

10. How could the Balanced Scorecard be interpreted to serve not-for-profit or public sector organizations, what would be the perspectives and objectives?

ANS:

- Financial perspective – To keep service costs under control and deliver value for money.
- Service user/stakeholder (customer) perspective – To understand how they view the service. And, to what extent have stakeholders contributed.
- Operational excellence (internal processes) perspective – To monitor the effectiveness of its processes and staff. And, are staff satisfied?
- Innovation and learning (learning and growth) perspective – To be continually improving and learning from others.
- The overall strategic objective is to meet its key performance outcomes.

PTS: 1

PROBLEM

1. What are the ten deadly sins of objective management?

ANS:

- Too many objectives. Sub-objectives can easily emerge and need to be contained.
- Meaningless objectives for those who must manage them. Without relevance there is no motivation.
- Useless objectives. It must be possible to review objectives and learn from the experience of using them.
- Old objectives. Objectives should not be based on tradition, convention, or anything else that is distant from the real issues that require resolution.
- Myopic objectives. It should always be clear how objectives fit into the broader context: backwards to the overall strategic objectives, and forwards to the value received by the customer.
- Insular objectives. Objectives should be managed during their implementation to take account of the objectives and plans of everybody affected by them.
- Inconsistent objectives. Objectives should work synergistically and not against each other.
- Pet objectives. Based on vested interest, individual (career) favoured projects, or on only partial functional and sectional needs.
- Non-agreed objectives. In developing objectives the potential contributions of third parties, and the possible effects on others of the plans should be agreed in principle before implementation.
- Complex objectives. Objectives should be kept as simple as possible.

PTS: 1

2. For each of Kaplan and Norton's four perspectives what measurement indices could be applied?

ANS:

- Financial perspective – Return on capital employed
- Financial perspective – Payments such as dividends to owners
- Financial perspective – Cash flow
- Customer perspective – Customer satisfaction and delight index
- Customer perspective – Repeat purchase patterns
- Customer perspective – Brand awareness in target segments
- Internal processes perspective – Value stream analysis (to minimize non-value creation activities) index
- Internal processes perspective – Value chain activities (co-ordination, optimization activities) index
- Internal processes perspective – Continuous improvement (innovation, change) index
- Learning and growth perspective – Recruitment and retention rates
- Learning and growth perspective – Skills and training index
- Learning and growth perspective – Employee conditions and satisfaction index

PTS: 1