

## Chapter 01 Strategic Management

### Multiple Choice Questions

1. (p. 3) Which of the following is an element of a firm's remote external environment?

- A. Competition
- B. Suppliers
- C. Government agencies
- D.** Economic and social conditions

*Difficulty: Easy*

*Learning Objective: 1*

2. (p. 3) Which of the following is NOT a part of a firm's immediate external environment?

- A.** Technological development
- B. Competitors
- C. Suppliers
- D. Government agencies

*Difficulty: Easy*

*Learning Objective: 1*

3. (p. 3) The immediate external environment includes:

- A.** Competitors
- B. S. B. U. s
- C. Divisions
- D. Management

*Difficulty: Easy*

*Learning Objective: 1*

4. (p. 3) The \_\_\_\_\_ comprises economic and social conditions, political priorities and technological developments, all of which must be anticipated, monitored, assessed and incorporated into the executive's decision making.

- A. Remote external environment
- B. Task environment
- C. Operating environment
- D. Internal environment

*Difficulty: Easy*  
*Learning Objective: 1*

5. (p. 3) The set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company's objectives is defined as:

- A. Strategic policy
- B. Business policy
- C. Strategic management
- D. Tactics

*Difficulty: Medium*  
*Learning Objective: 2*

6. (p. 3) Strategic management comprises nine critical tasks. Which of the following is NOT one of the tasks?

- A. Development of medium-term objectives compatible with grand strategies
- B. Assessment of the company's external environment
- C. Selection of a particular set of long-term objectives and grand strategies
- D. Evaluate the success of the strategic process

*Difficulty: Medium*  
*Learning Objective: 2*

7. (p. 3) Strategic management involves the \_\_\_\_\_, directing, \_\_\_\_\_ and controlling of a company's strategy-related decisions and actions.

- A. Financing; marketing
- B. Planning; financing
- C. Marketing; planning
- D.** Planning; organizing

*Difficulty: Medium*  
*Learning Objective: 2*

8. (p.3) Large-scale, future-oriented plans, for interacting with the competitive environment to achieve company objectives refers to its

- A.** Strategy
- B. Goals
- C. Competitive analysis
- D. Dynamic policies

*Difficulty: Easy*  
*Learning Objective: 2*

9. (p. 3) A strategy is a company's

- A.** Game plan
- B. Pricing policy
- C. Value statement
- D. Long-term objective

*Difficulty: Easy*  
*Learning Objective: 2*

10. (p. 3) A \_\_\_\_\_ is a company's game plan.

- A.** Strategy
- B. Pricing policy
- C. Value statement
- D. Long-term objective

*Difficulty: Easy*  
*Learning Objective: 2*

11. (p. 4) A(n) \_\_\_\_\_ provides a framework for managerial decisions.
- A. Vision
  - B. Organizational structure
  - C. Strategy**
  - D. Long-term objective

*Difficulty: Medium*  
*Learning Objective: 2*

12. (p. 4) A(n) strategy reflects a company's awareness of how, when and where it should \_\_\_\_\_, against whom it should \_\_\_\_\_ and for what purpose it should \_\_\_\_\_.
- A. cooperate
  - B. ally
  - C. compete**
  - D. plan

*Difficulty: Medium*  
*Learning Objective: 2*

13. (p. 4) Strategic issues require which level of management decisions?
- A. Operative
  - B. Top**
  - C. Front-line
  - D. Middle

*Difficulty: Easy*  
*Learning Objective: 2*

14. (p. 5) Strategic decisions ostensibly commit the firm for
- A. 1-2 years
  - B. The short term
  - C. 3-4 years
  - D. A long time, typically five years**

*Difficulty: Medium*  
*Learning Objective: 2*

15. (p. 4) Strategic issues require large amounts of the company's
- A. strengths
  - B. opportunities
  - C. suppliers
  - D.** resources

*Difficulty: Medium*  
*Learning Objective: 2*

16. (p. 4-5) Some business decisions are strategic and therefore deserve strategic management attention. Which of the following is one of the six strategic issue dimensions?
- A. Requires front-line employee decisions
  - B. Is not likely to have a significant impact on long-term prosperity of the firm
  - C.** Necessitates considering factors in the firm's external environment
  - D. Is spontaneous

*Difficulty: Medium*  
*Learning Objective: 3*

17. (p. 5) Which of the following applies to strategic issues?
- A. Consider only the firm's external environment
  - B. Are future oriented**
  - C. Concern allocation of insignificant amounts of company resources
  - D. Do not have long-term impact on the firm's prosperity

*Difficulty: Easy*  
*Learning Objective: 3*

18. (p. 5) Strategic issues are \_\_\_\_\_ oriented.
- A. future**
  - B. present
  - C. past
  - D. timelessly

*Difficulty: Hard*  
*Learning Objective: 3*

19. (p. 5) Strategic decisions are based on what managers \_\_\_\_\_, rather than on what they \_\_\_\_\_.
- A. Forecast; know**
  - B. React to; anticipate
  - C. Know; forecast
  - D. Compromise with; analyze

*Difficulty: Hard*  
*Learning Objective: 3*

20. (p. 5) All businesses exist in a(n) \_\_\_\_\_ system.

- A. open
- B. closed
- C. insular
- D. protected

*Difficulty: Hard*  
*Learning Objective: 3*

21. (p. 5) Strategic decisions have \_\_\_\_\_ effects on firms.

- A. Temporary
- B. Short-lived
- C. Enduring
- D. Limited

*Difficulty: Medium*  
*Learning Objective: 3*

22. (p. 5) The Walt Disney Company is a multibusiness company. It typically would have \_\_\_\_\_ levels of strategy.

- A. 5 or more
- B. 4
- C. 3**
- D. 2

*Difficulty: Easy*  
*Learning Objective: 4*

23. (p. 5) Which level of strategy uses a portfolio approach?

- A. Business
- B. Operational
- C. Corporate**
- D. Functional

*Difficulty: Easy*  
*Learning Objective: 4*

24. (p. 6) Which level of strategy is in the middle of the decision-making hierarchy?

- A. Corporate
- B. Functional
- C. Business**
- D. Strategic

*Difficulty: Easy*  
*Learning Objective: 4*

25. (p. 6) A business, which by definition is a profit center that focuses on a specific combination of products, markets, and technologies, is also known as a

- A. Subsidiary
- B. Sister unit
- C. Strategic business unit**
- D. Corporate unit

*Difficulty: Easy*  
*Learning Objective: 4*

26. (p. 6) Which level of strategy is at the bottom of the decision-making hierarchy?
- A. Corporate
  - B. Business
  - C. Functional**
  - D. Operational

*Difficulty: Easy*  
*Learning Objective: 4*

27. (p. 5) Typically how many strategic decision levels are there in the corporate decision-making hierarchy of a large corporation?
- A. 5 or more
  - B. 4
  - C. 3**
  - D. 2

*Difficulty: Easy*  
*Learning Objective: 4*

28. (p. 5) To a large extent, attitudes at the corporate level reflect the concerns of
- A. Stockholders and society at large**
  - B. Top managers
  - C. The CEO
  - D. The federal government

*Difficulty: Medium*  
*Learning Objective: 4*

29. (p. 5) The top of the decision-making hierarchy comprises all of these EXCEPT
- A. Board of directors
  - B. Front-line managers**
  - C. The CEO
  - D. Administrative officers

*Difficulty: Easy*  
*Learning Objective: 4*

30. (p. 5) In a multi-business firm, \_\_\_\_\_ -level executives determine the businesses in which the firm should be involved.
- A. Business
  - B. Functional
  - C. Corporate**
  - D. Operative

*Difficulty: Medium*  
*Learning Objective: 4*

31. (p. 6) At Office Supply, Inc., \_\_\_\_\_ -level managers would be responsible for determining whether the company should be involved in home furnishings or electronic appliance businesses, whereas \_\_\_\_\_ -level managers would be responsible for determining how the firm will compete in the selected product-market arena.
- A. Business; corporate
  - B. Corporate; functional
  - C. Functional; business
  - D. Corporate; business**

*Difficulty: Hard*  
*Learning Objective: 4*

32. (p. 5) In the middle of the decision-making hierarchy is the \_\_\_\_\_ level.
- A. Corporate
  - B. Functional
  - C. Business**
  - D. Strategic

*Difficulty: Medium*  
*Learning Objective: 4*

33. (p. 6) Who determines the basis on which a company can compete in the selected product-market arena?

- A. Functional-level strategic managers
- B. Corporate-level strategic managers
- C. Business-level strategic managers**
- D. Operational managers supervising operative

*Difficulty: Medium*  
*Learning Objective: 4*

34. (p. 6) Which of these managers tries to identify and secure the most profitable and promising market segment?

- A. Functional managers
- B. Corporate managers
- C. Business managers**
- D. Operative

*Difficulty: Medium*  
*Learning Objective: 4*

35. (p. 6) The functional level of decision making is characterized by:

- A. The board of directors deriving corporate goals
- B. Managers of product, geographic and functional areas**
- C. The CEO developing a company profile
- D. Business managers interpreting the mission into operational objectives

*Difficulty: Medium*  
*Learning Objective: 4*

36. (p. 6) Which strategic level is typically responsible for developing annual objectives and short-term strategies?

- A. Functional level**
- B. Corporate level
- C. Business level
- D. Board of Directors level

*Difficulty: Medium*  
*Learning Objective: 4*

37. (p. 6) Which of the following is NOT a level in the decision-making hierarchy of a firm?
- A. Business
  - B. Corporate
  - C. Operative**
  - D. Functional

*Difficulty: Medium*  
*Learning Objective: 4*

38. (p. 6) Functional managers are typically responsible for which of the following?
- A. Annual objectives**
  - B. Tactics
  - C. Corporate goals
  - D. Mission

*Difficulty: Medium*  
*Learning Objective: 4*

39. (p. 7) Whereas corporate and business-level managers center their attention on \_\_\_\_\_, managers at functional-level center their attention on \_\_\_\_\_.
- A. Operational issues; strategic issues
  - B. Doing things right; doing the right things
  - C. Entrepreneurial mode; adaptive mode
  - D. Doing the right things; doing things right**

*Difficulty: Hard*  
*Learning Objective: 4*

40. (p. 7) Decisions at which level of management tend to be more value-oriented, more conceptual, and less concrete?
- A. Functional
  - B. Corporate**
  - C. Operative
  - D. Business

*Difficulty: Medium*  
*Learning Objective: 4*

41. (p. 7) Dividend policies are decided at the

- A. Corporate level
- B. Business level
- C. Functional level
- D. Operational level

*Difficulty: Medium*  
*Learning Objective: 4*

42. (p. 7) Which level of decisions encompasses greater risk, cost and profit potential?

- A. Business
- B. Lower echelon
- C. Corporate
- D. Functional

*Difficulty: Medium*  
*Learning Objective: 4*

43. (p. 7) Corporate-level decisions are characterized by:

- A. Decreased risk
- B. Doing things right
- C. Short-time horizons
- D. Greater cost

*Difficulty: Hard*  
*Learning Objective: 4*

44. (p. 7) Decisions concerning plant location, distribution channels, geographic coverage and market segmentation are typically made at:

- A. The corporate level
- B. The business level
- C. The functional level
- D. The Board level

*Difficulty: Medium*  
*Learning Objective: 4*

45. (p. 7) The degree to which participation, responsibility, authority and discretion in decision-making are specified in strategic management is called:

- A. Informality
- B. Formality**
- C. Functional tactic
- D. Dynamic mode

*Difficulty: Medium*  
*Learning Objective: 4*

46. (p. 9) Which one of these forces DOES NOT determine how much formality is needed in strategic management?

- A. Size
- B. Country of origin**
- C. Complexity of environment
- D. Production process

*Difficulty: Medium*  
*Learning Objective: 4*

47. (p. 9) Which of these is usually positively correlated with the cost, comprehensiveness, accuracy and success of planning?

- A. Greater formality**
- B. Functional structure
- C. Organizational matrix
- D. Functional tactics

*Difficulty: Medium*  
*Learning Objective: 4*

48. (p. 9) There are \_\_\_\_ commonly identified modes based upon formality in strategic management.

- A. 4
- B. 2
- C. 5
- D.** 3

*Difficulty: Easy*  
*Learning Objective: 4*

49. (p. 9) Very large firms typically use the \_\_\_\_\_ mode of strategic management.

- A. Adaptive
- B. Entrepreneurial
- C. Informal
- D.** Planning

*Difficulty: Medium*  
*Learning Objective: 4*

50. (p. 9) The mode associated with medium-sized firms in relatively stable environments is called the \_\_\_\_\_ mode.

- A. entrepreneurial
- B.** adaptive
- C. business
- D. planning

*Difficulty: Medium*  
*Learning Objective: 4*

51. (p. 9) Firms that are basically under the control of a single individual and produce a limited number of products/services are referred to as following \_\_\_\_\_ mode.

- A. Entrepreneurial
- B. Planning
- C. Adaptive
- D. Corporate

*Difficulty: Medium*  
*Learning Objective: 4*

52. (p. 9) The informal, intuitive and limited approach to strategic management associated with owner-managers of smaller firm refers to the \_\_\_\_\_ mode of formality.

- A. Entrepreneurial
- B. Functional
- C. Planning
- D. Adaptive

*Difficulty: Easy*  
*Learning Objective: 4*

53. (p. 9) The planning mode refers to the

- A. Strategic formality associated with the large firms that operate under a comprehensive, formal planning system
- B. Strategic formality associated with medium-sized firms that emphasize the incremental modification of existing competitive approaches
- C. Strategic formality associated with global firms that emphasize cultural value systems
- D. Informal, intuitive and limited approach to strategic management with owner-manager of smaller firms

*Difficulty: Medium*  
*Learning Objective: 4*

54. (p. 9) The adaptive mode refers to

- A. Strategic formality associated with the large firms that operate under a comprehensive, formal planning system
- B.** Strategic formality associated with medium-sized firms that emphasize the incremental modification of existing competitive approaches
- C. Strategic formality associated with global firms that emphasize cultural value systems
- D. Informal, intuitive and limited approach to strategic management with owner-manager of smaller firms

*Difficulty: Medium*  
*Learning Objective: 4*

55. (p. 9) Which of these is NOT a mode of formality?

- A. Adaptive
- B. Planning
- C.** Functional
- D. Entrepreneurial

*Difficulty: Easy*  
*Learning Objective: 4*

56. (p. 9) The ideal strategic management team includes decision makers from

- A.** All three company levels (corporate, business and functional)
- B. Just the functional level since they are closest to the customers
- C. Just the corporate and business levels given that they focus on doing the right thing
- D. Just the top management since they understand the big picture

*Difficulty: Medium*  
*Learning Objective: 4*

57. (p. 10) Managers at the \_\_\_\_\_ level typically have principal responsibilities for developing environmental analysis and forecasting, establishing business objectives and developing business plans prepared by staff groups.

- A. Corporate
- B. Functional
- C. Operational
- D.** Business

*Difficulty: Medium*  
*Learning Objective: 4*

58. (p. 9) When the CEO is very autocratic, the effectiveness of the firm's strategic planning and management processes is likely to:

- A. Enhance strategic planning but diminish its processes
- B. Be greatly enhanced
- C. Have no effect
- D.** Be diminished

*Difficulty: Medium*  
*Learning Objective: 5*

59. (p. 10) Which of these is NOT true about the behavioral effect of strategic management?

- A. Strategy formulation activities enhance the firm's ability to prevent problems
- B. Resistance to change is reduced
- C.** Gaps and overlaps in activities among individuals and groups are increased to ensure the checks and balance
- D. The employee involvement in strategy formulation improves their understanding of the productivity reward relationship in every strategy plan

*Difficulty: Hard*  
*Learning Objective: 5*

60. (p. 10) The behavioral consequences of strategic management are similar to those of
- A. authoritative decision making
  - B. centralized decision making
  - C. autocratic decision making
  - D. participative decision making**

*Difficulty: Hard*  
*Learning Objective: 5*

61. (p. 12) Which of the following is a major function of the strategic management model?
- A. It helps make profits for the firm
  - B. It helps in identifying key issues faced by the firm
  - C. It helps in deciding which products to sell
  - D. It depicts the sequence and relationships of the major components of the strategic management process**

*Difficulty: Medium*  
*Learning Objective: 5*

62. (p. 12) Social responsibility is a critical consideration for a company's strategic decision makers since
- A. Stockholders demand it
  - B. The mission statement must express how the company intends to contribute to the societies that sustain it**
  - C. It increases a company's profits
  - D. It helps make decisions

*Difficulty: Medium*  
*Learning Objective: 5*

63. (p. 12) Assessment of the strengths and weaknesses of the company's management and organizational structure is a part of

- A.** Internal analysis
- B. Mission statement
- C. External environment analysis
- D. Corporate goals

*Difficulty: Easy*  
*Learning Objective: 5*

64. (p. 12) The external environment consists of:

- A.** The operating environment
- B. Managers
- C. Employees
- D. Owners

*Difficulty: Easy*  
*Learning Objective: 5*

65. (p. 12) Which one of the following is NOT an interactive segment of a firm's external environment?

- A.** Functional
- B. Remote
- C. Industry
- D. Operating

*Difficulty: Medium*  
*Learning Objective: 5*

66. (p. 12) Description of the company's product, market and technological areas of emphasis is contained in the

- A. Assessment of the external environment
- B. Company profile
- C.** Company mission
- D. Interactive opportunity analysis

*Difficulty: Easy*  
*Learning Objective: 5*

67. (p. 13) The results that an organization seeks over a multiyear period are its

- A. Generic strategies
- B. Grand strategies
- C. Mission statements
- D.** Long-term objectives

*Difficulty: Easy*  
*Learning Objective: 5*

68. (p. 13) The doubling of EPS within 5 years with increases in each intervening year is called a(n):

- A. Mission
- B.** Long-term objective
- C. Action plan
- D. Short-term objective

*Difficulty: Hard*  
*Learning Objective: 5*

69. (p.13) The difference between long-term and short-term objectives is principally:

- A. Greater attainability
- B. Greater flexibility
- C. Greater measurability
- D.** Greater specificity

*Difficulty: Hard*  
*Learning Objective: 5*

70. (p. 13) Grand strategies include:

- A. Market turnaround
- B. Vertical diversification
- C. Conglomerate integration
- D.** Innovation

*Difficulty: Medium*  
*Learning Objective: 5*

71. (p. 13) Which of the following is an example of a grand strategy?

- A. Decentralization
- B. Policy making
- C. Conglomerate integration
- D.** Horizontal integration

*Difficulty: Hard*  
*Learning Objective: 5*

72. (p. 12) Long-term objectives are principally attained through:

- A. Annual goals
- B. Functional strategies
- C. Short-term goals
- D.** Grand strategy

*Difficulty: Hard*  
*Learning Objective: 5*

73. (p. 14) The minimum equity position required for all new McDonald's franchises is an example of:

- A. A goal
- B. A procedure
- C.** A policy
- D. An objective

*Difficulty: Medium*  
*Learning Objective: 5*

74. (p. 13) The general plan of major actions through which a firm intends to achieve is long-term objectives is called its:

- A. Generic strategy
- B. Long-term goal
- C. Grand strategy**
- D. Mission

*Difficulty: Easy*  
*Learning Objective: 5*

75. (p. 14) Broad, precedent-setting decisions that guide or substitute for repetitive or time-sensitive managerial decision making are called

- A. Goals
- B. Strategies
- C. Objectives
- D. Policies**

*Difficulty: Easy*  
*Learning Objective: 5*

76. (p. 13) Which of the following is a generic strategy option?

- A. Vertical integration
- B. Diversification
- C. Differentiation**
- D. Retrenchment

*Difficulty: Medium*  
*Learning Objective: 5*

77. (p. 13) Horizontal integration is an example of a

- A. Generic strategy
- B. Grand strategy**
- C. Functional level strategy
- D. SBU strategy

*Difficulty: Hard*  
*Learning Objective: 5*

78. (p. 13) Specific actions that need to be undertaken to achieve short-term objectives, usually by functional areas, refers to

- A. Policies
- B. Formality
- C. Functional tactics**
- D. Process

*Difficulty: Easy*  
*Learning Objective: 5*

79. (p. 13) Which of these refers to short-term, narrow scoped plans that detail "means" or activities that a company will use to achieve short-term projects?

- A. Policies
- B. Formality
- C. Vision
- D. Functional tactics**

*Difficulty: Easy*  
*Learning Objective: 5*

80. (p. 15) \_\_\_\_\_ is a critical stage in strategy implementation wherein managers attempt to recast their organization.

- A. Continuous improvement
- B. Restructuring**
- C. Strategic control
- D. Strategy formulation

*Difficulty: Medium*  
*Learning Objective: 5*

81. (p. 15) \_\_\_\_\_ is concerned with tracking a strategy as it is being implemented, detecting problems or changes in its underlying premises and making necessary adjustments.

- A. Restructuring strategy
- B. Strategic control**
- C. Internal analysis
- D. Functional tactics

*Difficulty: Easy*  
*Learning Objective: 5*

82. (p. 15) Which of these is a form of strategic control in which managers are encouraged to be proactive in improving all operations of the firm?

- A. Continuous improvement**
- B. Adaptive mode
- C. Functional tactics
- D. Planning mode

*Difficulty: Easy*  
*Learning Objective: 5*

83. (p. 15) A flow of information through interrelated stages of analysis toward achievement of an aim is:

- A. A process**
- B. A procedure
- C. A policy
- D. A system

*Difficulty: Easy*  
*Learning Objective: 5*

84. (p. 16) Influential individuals and groups that are vitally interested in the actions of the business are called

- A. Stockholders
- B. Stakeholders**
- C. Strategists
- D. Customers

*Difficulty: Easy*  
*Learning Objective: 5*

85. (p. 16) One implication of viewing strategic management as a process is that strategy formulation and implementation are:

- A. Sequential**
- B. Simultaneous
- C. Random
- D. Reversible

*Difficulty: Medium*  
*Learning Objective: 5*

86. (p. 17) Strategic management processes need which of the following to enhance future decision making?

- A. Testing
- B. Feedback**
- C. Discontinuity
- D. Projecting

*Difficulty: Hard*  
*Learning Objective: 5*

87. (p. 18) The strategy management process is:

- A. Stationary
- B. Dynamic**
- C. Static
- D. Radical

*Difficulty: Hard*  
*Learning Objective: 6*

### **Essay Questions**

88. Define strategic management. Identify any four of the nine critical tasks of strategic management?

Please refer to discussion on "The Nature and Value of Strategic Management" on page 3.

*Learning Objective: 1*

89. Strategic issues have several key dimensions. Briefly describe any three of them?

Please refer to the discussion on "Dimensions of Strategic Decisions" on pages 4-5.

*Learning Objective: 2*

90. Describe the three levels of strategy in an organization. Provide an example of each?

Please refer to the discussion on "Levels of Strategy" on pages 5-7.

*Learning Objective: 4*

91. With regards to the levels of strategy, compare and contrast single-business firms versus multiple-business firms?

Please refer to Exhibit 1.2 on page 6.

*Learning Objective: 4*

92. How do the characteristics of strategic management decisions vary with the level of strategic activity considered?

Please refer to the discussion in the section titled “Characteristics of Strategic Management Decisions” on page 7.

*Learning Objective: 4*

93. What is meant by “formality” in strategic management? What forces determine how much formality is needed in strategic management?

Please refer to the discussion in the section “Formality in Strategic Management” on pages 7-9.

*Learning Objective: 4*

94. How are the entrepreneurial, planning, and adaptive modes different?

Please refer to discussion on "Formality in Strategic Management" on page9.

*Learning Objective: 4*

95. Who are the strategy makers in an organization?

Please refer to the discussion in the section titled “The Strategy Makers” on pages 9-10.

*Learning Objective: 4*

96. Discuss the benefits of a participative approach to strategic management?

Please refer to the discussion on "Benefits of a Participative Approach to Strategic Management" on pages 10-11.

*Learning Objective: 5*

97. Define and briefly describe any five components of the strategic management model?

Please refer to the discussion on "Components of the Strategic management Model" on pages 12-15.

*Learning Objective: 5*

98. Differentiate between generic and grand strategies?

Please refer to the discussion on "Generic and Grand Strategies" on page 13.

*Learning Objective: 5*

99. Define strategic control. Give an example of strategic control from a managerial perspective?

Please refer to the discussion on "Strategic Control and Continuous Improvement" on page 15.

*Learning Objective: 5*

100. What implications can be drawn from viewing strategic management as a process? Explain?

Please refer to the discussion on "Strategic Management as a Process" on page 15-18.

*Learning Objective: 6*