Chapter 02

Strategy Formulation, Execution, and Governance

Multiple Choice Questions

1. Which one of the following is *not* one of the five stages of an ongoing, continuous strategic management process?

A. forming a strategic vision of the company's future direction and focus
B. setting objectives to measure progress toward achieving the strategic vision
C. crafting a strategy to achieve the objectives and get the company where it wants to go
D. developing a profitable business model
E. implementing and executing the chosen strategy efficiently and effectively

2. Which of the following is an integral part of the managerial process of crafting and executing strategy?

A. developing a proven business model
B. setting objectives and using them as yardsticks for measuring the company's performance and progress
C. deciding how much of the company's resources to employ in the pursuit of sustainable competitive advantage
D. communicating the company's mission and purpose to all employees
E. deciding on the composition of the company's board of directors

3. When companies adopt the strategy making, strategy execution process, it requires they start by

A. developing a strategic vision, mission, and values.
B. developing a proven business model, deciding on the company's top management team, and crafting a strategy.
C. setting objectives, developing a business model, crafting a strategy, and deciding how much of the company's resources to employ in the pursuit of sustainable competitive advantage.
D. coming up with a statement of the company's mission and communicating it to all employees, setting objectives, selecting a business model, and monitoring developments and initiating corrective adjustments to the business model when necessary.
E. deciding on the company's board of directors, setting financial objectives, crafting a strategy, and choosing what business approaches and operating practices to employ.

4. The strategic management process is shaped by

A. management's strategic vision, strategic and financial objectives, and strategy.
B. the decisions made by the compensation and audit committees of the board of directors.
C. external factors such as the industry's economic and competitive conditions and internal factors such as the company's collection of resources and capabilities.
D. a company's customer value proposition and profit formula.
E. actions to strengthen competitive capabilities and correct weaknesses, actions to strengthen market standing and competitiveness by acquiring or merging with other companies, and actions to enter new geographic or product markets.

5. When a company is confronted with significant industry change that mandates radical revision of its strategic course, the company is said to have encountered a(n)

A. learning and growth perspective.
B. strategic inflection point.
C. strategic roadblock.
D. new strategic opportunity.
E. opportunity for corporate entrepreneurship.

6. A company's strategic plan consists of

A. its balanced scorecard and its business model.
B. a vision of where it is headed, a set of performance targets, and a strategy to achieve them.
C. its strategy and management's specific, detailed plans for implementing it.
D. a company's plans for improving value-creating internal processes.
E. a strategic vision, a strategy, and a business model.

7. The strategy-making, strategy-executing process

A. is usually delegated to members of a company's board of directors so as not to infringe on the time of busy executives.
B. includes establishing a company's mission, developing a business model aimed at making the company an industry leader, and crafting a strategy to implement and execute the business model.
C. embraces the tasks of developing a strategic vision, setting objectives, crafting a strategy, implementing and executing the strategy, and then monitoring developments and initiating corrective adjustments in light of experience, changing conditions, and new opportunities.
D. is principally concerned with sizing up an organization's internal and external situation, so as to be prepared for the challenge of developing a sound business model.
E. is primarily the responsibility of top executives and the board of directors; very few managers below this level are involved.

8. A company's strategic vision concerns

A. a company's directional path and future product-customer-market-technology focus.
B. why the company does certain things in trying to please its customers.
C. management's story line of how it intends to make a profit with the chosen strategy.
D. "who we are and what we do."
E. what future actions the enterprise will likely undertake to outmaneuver rivals and achieve a sustainable competitive advantage.

9. Management's strategic vision for an organization

A. charts a strategic course for the organization ("where we are going") and outlines the company's future product-customer-market-technology focus.
B. describes in fairly specific terms the organization's business model, strategic objectives, and strategy.
C. spells out how the company will become a big moneymaker and boost shareholder value.
D. addresses the critical issue of "why our business model needs to change and how we plan to change it."
E. spells out the organization's strategic moves that will be undertaken to achieve competitive advantage.

10. Top management's views about where the company is headed and what its future product-customer-market-technology will be

A. indicates what kind of business model the company is going to have in the future.
B. constitutes the strategic vision for the company.
C. signals what the firm's strategy will be.
D. serves to define the company's mission.
E. indicates what the company's long-term strategic plan is.

11. Which one of the following is *not* an accurate attribute of an organization's strategic vision?

A. a clearly articulated view of "where we are going"
B. describing the company's future product-customer-market-technology focus
C. pointing an organization in a particular direction and charting a strategic path for it to follow
D. providing managers with a reference point for making strategic decisions
E. specifying how the company intends to implement and execute its business model

12. Well-conceived visions are

A. distinctive.

B. specific to a particular organization.

C. free of generic, feel-good statements.

D. not innocuous one-sentence statements.

E. All of these choices are correct.

13. Which of the following are characteristics of an effectively worded strategic vision statement?

A. graphic, directional, and focused

B. challenging, competitive, and "set in concrete"

C. balanced, responsible, and rational

D. realistic, customer-focused, and market-driven

E. achievable, profitable, and ethical

14. Which one of the following is *not* a characteristic of an effectively worded strategic vision statement?

A. directional (is forward-looking, describes the strategic course that management has charted and the kinds of product-market-customer-technology changes that will help the company prepare for the future)

B. easy to communicate (is explainable in 10 to 15 minutes, can be reduced to a memorable slogan)

C. graphic (paints a picture of the kind of company management is trying to create and the market position or positions the company is striving to stake out)

D. consensus-driven (commits the company to a "mainstream" directional path that most all stakeholders will enthusiastically support)

E. focused (is specific enough to provide guidance to managers in making decisions and allocating resources)

15. Which of the following is *not* a common shortcoming of company vision statements?

A. vague or incomplete—short on specifics
B. focused and narrow—exclusive to a specific direction
C. bland or uninspiring
D. not distinctive—could apply to most any company (or at least several others in the same industry)
E. too reliant on superlatives (best, most successful, recognized leader, global or worldwide leader, first choice of customers)

16. Which of the following are common shortcomings of company vision statements?

A. too broad, vague or incomplete, bland/uninspiring, not distinctive, and too reliant on superlatives
B. unrealistic, unconventional, and unbusinesslike
C. too specific, too inflexible, and can't be achieved in five years
D. too broad, too narrow, and too risky
E. not customer-driven, out-of-step with emerging technological trends, and too ambitious

17. Effectively communicating the strategic vision down the line to lower-level managers and employees has the value of

A. not only explaining "where we are going and why" but, more importantly, also inspiring and energizing company personnel to unite to get the company moving in the intended direction.
B. helping company personnel understand why "making a profit" is so important.
C. making it easier for top executives to set strategic objectives.
D. helping lower-level managers and employees better understand the company's business model.
E. All of these choices are correct.

18. The benefit of a vivid, engaging, and convincing strategic vision is

A. its ability to crystallize top management's own view about the company's long-term direction.
B. it reduces the risk of rudderless decision making by managers at all levels of the organization.
C. it helps an organization prepare for the future.
D. its ability to unite company personnel behind managerial efforts to get the company moving in the intended direction.
E. All of these are important benefits of an effective strategic vision.

19. A company's mission statement typically addresses which of the following questions?

A. Who are we? What do we do? and Why are we here?
B. What objectives and level of performance do we want to achieve?
C. Where are we going and what should our strategy be?
D. What approach should we take to achieve sustainable competitive advantage?
E. Why have we chosen a particular business model to achieve our objectives and our vision?

20. Ideally, a company's mission statement should be sufficiently descriptive and include which of the following?

A. Identify the company's services and products to give the company its own identity.
B. Relate to the buyer's needs that the company seeks to satisfy.
C. Identify the customer or market that the company intends to serve.
D. Specify the approach taken by the company to satisfy its customer's needs.
E. All of these choices are correct.

21. The difference between the concept of a company mission statement and the concept of a strategic vision is that

A. a mission statement typically concerns a company's present business scope ("who we are and what we do"), whereas the principal concern of a strategic vision is with the company's future business scope (long-term direction and future product-customer-market-technology focus).
B. the mission is to make a profit, whereas a strategic vision concerns how to attract customers.
C. a mission statement deals with what to accomplish on behalf of shareholders and a strategic vision concerns what to accomplish on behalf of customers.
D. a mission statement concerns what to do to achieve short-run objectives and a strategic vision concerns what to do to achieve long-run performance targets.
E. a mission statement deals with "where we are headed," whereas a strategic vision provides the critical answer to "how will we get there."

22. A company's values concern

A. whether and to what extent it intends to operate in an ethical and socially responsible manner.
B. how aggressively it will seek to maximize profits and enforce high ethical standards.
C. the beliefs and operating principles built into the company's "balanced scorecard" for measuring performance.
D. the beliefs, traits, and behavioral norms that company personnel are expected to display in conducting the company's business and pursuing its strategic vision and mission.
E. the beliefs, principles, and ethical standards that are incorporated into the company's strategic intent and business model.

23. A company's values relate to such things as

A. how it will balance its pursuit of financial objectives against the pursuit of its strategic objectives.
B. how it will balance the pursuit of its business purpose/mission against the pursuit of its strategic vision.
C. fair treatment, integrity, ethical behavior, innovativeness, teamwork, top-notch quality, superior customer service, social responsibility, and community citizenship.
D. whether it will emphasize stock price appreciation or higher dividend payments to shareholders, and whether it will put more emphasis on the achievement of short-term performance targets or long-range performance targets.
E. All of these choices are correct.

24. The managerial purpose of setting objectives includes

A. converting the strategic vision into specific performance targets.
B. using the objectives as yardsticks for tracking the company's progress and performance.
C. challenging the organization to perform at its full potential and deliver the best possible results.
D. establishing deadlines for achieving performance results.
E. All of these choices are correct.

25. A company needs financial objectives

A. to overtake key competitors on such important measures as net profit margins and return on investment.
B. because without adequate profitability and financial strength, the company's ultimate survival is jeopardized.
C. to indicate to employees that financial objectives always take precedence over strategic objectives.
D. to convince shareholders that top management is acting in their interests.
E. to translate the company's business model into action items.

26. Strategic objectives

A. are more essential in achieving a company's strategic vision than are financial objectives.
B. are generally less important than financial objectives.
C. are more difficult to achieve and harder to measure than financial objectives.
D. relate to strengthening a company's overall market standing and competitive vitality.
E. help managers track an organization's true progress better than do financial objectives.

27. A balanced scorecard for measuring company performance

A. entails putting equal emphasis on financial and strategic objectives.
B. entails striking a balance between financial objectives and strategic objectives.
C. balances the drive for profits with social responsibility obligations.
D. prevents the drive for achieving strategic objectives from overwhelming the pursuit of financial objectives.
E. entails creating a set of financial objectives balanced among profitability measures and liquidity measures.

28. A balanced scorecard that includes both strategic and financial performance targets is a conceptually strong approach for judging a company's overall performance because

A. financial performance measures are lagging indicators that reflect the results of past decisions and organizational activities, whereas strategic performance measures are leading indicators of a company's future financial performance.
B. it entails putting equal emphasis on good strategy execution and good business model execution.
C. a balanced scorecard approach pushes managers to avoid setting objectives that reflect the results of past decisions and organizational activities, and, instead, to set objectives that will serve as leading indicators of a company's future financial performance.
D. it assists managers in putting roughly equal emphasis on short-term and long-term performance targets.
E. it more or less forces managers to put equal emphasis on financial and strategic objectives.

29. Why should long-run objectives take precedence over short-run objectives?

A. The focus is placed on improving performance in the near term.
B. Long-run objectives are necessary for achieving long-term performance and stand as a barrier to undue focus on short-term results.
C. Long-run objectives will satisfy shareholder expectations for progress.
D. Long-run objectives will force the company to deliver performance improvement in the current period.
E. None of these are correct.

30. Company objectives

A. are needed only on a companywide basis related to a company's short-term and long-term profitability.
B. need to be broken down into performance targets for each of its separate businesses, product lines, functional departments, and individual work units.
C. play the important role of establishing the direction in which the company needs to be headed.
D. are important because they help guide managers in deciding what the company's strategy map should look like.
E. should be set in a manner that does not conflict with the performance targets of lower-level organizational units.

31. A company needs performance targets or objectives

A. for its operations as a whole and for each of its separate businesses, product lines, functional departments, and individual work units.
B. because they provide parameters for the company's strategy map.
C. to unify the company's strategic vision and business model.
D. to help guide managers in deciding what strategic path to take in the event that a strategic inflection point is encountered.
E. to prevent lower-level organizational units from establishing their own objectives.

32. The task of stitching together a strategy

A. entails addressing a series of "hows": how to grow the business, how to please customers, how to outcompete rivals, how to respond to changing market conditions, and how to achieve strategic and financial objectives.
B. is primarily an exercise in deciding which of several freshly emerging market opportunities to pursue.
C. should be dictated by what is comfortable to management from a risk perspective and what is acceptable in terms of capital requirements.
D. requires trying to copy the strategies of industry leaders as closely as possible.
E. is mainly an exercise in good planning.

33. Crafting strategy requires

A. a collaborative effort that includes managers in various position at various organizational levels.
B. executive management involvement only.
C. participation by all employees.
D. a collaborative effort between the CEO and board members only.
E. All of these choices are correct.

34. Corporate strategy

A. is primarily concerned with strengthening a company's market position and building competitive advantage.
B. is subject to being changed much less frequently than either a company's objectives or its mission statement.
C. should be based on a flexible strategic vision and mission.
D. ensures consistency in strategic approach among businesses of a diversified, multibusiness corporation.
E. determines balanced scorecard financial and strategic objectives.

35. Business strategy concerns

A. strengthening the company's market position and building competitive advantage.
B. ensuring consistency in strategic approach among the businesses of a diversified company.
C. selecting a business model to use in pursuing business objectives.
D. selecting a set of financial and strategic objectives for a particular line of business.
E. choosing appropriate internal business processes for a specific line of business.

36. In a single-business company, the strategy-making hierarchy consists of

A. business strategy, divisional strategies, and departmental strategies.
B. business strategy, functional strategies, and operating strategies.
C. business strategy and operating strategy.
D. managerial strategy, business strategy, and divisional strategies.
E. corporate strategy, divisional strategies, and departmental strategies.

37. Functional strategies

A. specify what actions a company should take to resolve specific strategic issues and problems.
B. concern the actions, approaches, and practices related to particular functions or processes within a business.
C. are concerned with how to unify the firm's several different operating strategies into a cohesive whole.
D. are normally crafted by the company's CEO and other senior executives.
E. None of these are correct.

38. Functional strategies

A. unify the company's various operating-level strategies.
B. specify how to build and strengthen the skills, expertise, and competencies needed to execute operating-level strategies successfully.
C. support and add power to the corporate-level strategy.
D. add relevant detail to the "hows" of a company's business-level strategy and specify what resources are needed to put the strategy into action.
E. create the chief elements of the company's strategy map.

39. Operating strategies concern

A. what the firm's operating departments are doing to unify the company's functional and business strategies.
B. the specific plans for building competitive advantage in each major department and operating unit.
C. the relatively narrow strategic initiatives and approaches for managing key operating units within a business and for performing strategically significant operating tasks.
D. how best to carry out the company's corporate strategy.
E. how best to implement and execute the company's different business-level strategies.

40. Which of the following is *not* among the principal managerial tasks associated with managing the strategy execution process?

A. ensuring that policies and procedures facilitate rather than impede effective execution
B. creating a company culture and work climate conducive to successful strategy implementation and execution
C. surveying employees on how employee job satisfaction can be improved
D. exerting the internal leadership needed to drive implementation forward
E. tying rewards and incentives directly to the achievement of performance objectives

41. Management is obligated to monitor new external developments, evaluate the company's progress, and make corrective adjustments in order to

A. determine whether the company has a balanced scorecard for judging its performance.
B. decide whether to continue or change the company's strategic vision, objectives, strategy and/or strategy execution methods.
C. determine what changes should be made to its customer value proposition.
D. determine whether the company's business model is well matched to changing market and competitive circumstances.
E. stay on track in achieving the company's mission and strategic vision.

42. A company's direction, objectives, and strategy

A. have to be revisited any time internal conditions warrant.
B. are never final as it is an ongoing process.
C. are not a now-and-then task.
D. have to be revisited whenever a firm encounters disruptive changes in its environment.
E. All of these choices are correct.

43. Proficient strategy execution

A. is always the product of much organizational learning.
B. is achieved unevenly, coming quickly in some areas and more slowly in others.
C. entails vigilantly searching for ways to improve performance.
D. is an ongoing process, not an every-now-and-then task.
E. All of these choices are correct.

44. The primary roles/obligations of a company's board of directors in the strategy-making, strategy-executing process include

A. playing the lead role in forming the company's strategy and then directly supervising the efforts and actions of senior executives in implementing and executing the strategy.
B. providing guidance and counsel to the CEO in carrying out his or her duties as chief strategist and chief strategy implementer.
C. overseeing the company's financial accounting and reporting practices, evaluating the caliber of senior executives' strategy-making and strategy-executing skills, and instituting a compensation plan that rewards top executives for results that serve shareholder interests.
D. working closely with the CEO, senior executives, and the strategic planning staff to develop a strategic plan for the company.
E. reviewing and approving the company's business model, and reviewing and approving the proposals and recommendations of the CEO as to how to execute the business model.

45. The obligations of an investor-owned company's board of directors in the strategy-making, strategy-executing process include

A. coming up with compelling strategy proposals to debate against those put forward by top management.
B. taking the lead in formulating the company's strategic plan but then delegating the task of implementing and executing the strategic plan to the company's CEO and other senior executives.
C. taking the lead in developing the company's business model and strategic vision.
D. overseeing the company's financial accounting and financial reporting practices and evaluating the caliber of senior executives' strategy-making/strategy-executing skills.
E. approving the company's operating strategies, functional-area strategies, business strategy, and overall corporate strategy.

46. Which one of the following is *not* among the chief duties or responsibilities of a company's board of directors insofar as the strategy-making, strategy-executing process is concerned?

A. Hire and fire senior-level executives and work with the company's chief strategic planning officer to improve the company's performance.
B. Inquire about and exercise strong oversight over the company's direction, strategy, and business approaches.
C. Evaluate the caliber of senior executives' strategy-making/strategy-executing skills.
D. Institute a compensation plan for top executives that rewards them for actions and results that serve stakeholders' interests and most especially those of shareholders.
E. Oversee the company's financial accounting and financial reporting practices.

Short Answer Questions

47. What are the five stages of the strategy-making, strategy-executing process and what does each one involve?

48. Define and briefly explain what is meant by each of the following terms:

a. strategic inflection point
b. strategic vision
c. strategic objective
d. strategic plan
e. balanced scorecard

49. A well-conceived strategic vision helps prepare a company for the future. True or false? Explain and justify your answer.

50. Explain why an organization needs a strategic vision. What purpose does a strategic vision serve?

51. What is the difference between a mission statement and a strategic vision?

52. What is the meaning of the term "balanced scorecard"? What are the merits of using a balanced scorecard in judging a company's performance?

53. What are the two types of objectives included in the balanced scorecard? Define and provide five examples of each.

54. The achievement of financial objectives tends to be a lagging indicator of a company's performance while the achievement of strategic objectives tends to be a leading indicator of a company's future financial performance. True or false? Support and explain your answer.

55. Explain why a company's strategy is really a bundle of strategies.

56. A single-business company has three levels of strategy. Name and describe each level.

57. Identify and briefly discuss at least three obligations of a company's board of directors in corporate governance and the strategy formulation, strategy execution process.

58. Identify and briefly discuss at least two examples of faulty oversight by a company's board of directors in corporate governance and/or the strategy formulation, strategy execution process.

Chapter 02 Strategy Formulation, Execution, and Governance Answer Key

Multiple Choice Questions

1. Which one of the following is *not* one of the five stages of an ongoing, continuous strategic management process?

A. forming a strategic vision of the company's future direction and focus
B. setting objectives to measure progress toward achieving the strategic vision
C. crafting a strategy to achieve the objectives and get the company where it wants to go
D. developing a profitable business model
E. implementing and executing the chosen strategy efficiently and effectively

Figure 2.1 displays this five-stage process: (1) developing a strategic vision, (2) setting objectives, (3) crafting strategy, (4) implementing and executing the chosen strategy, and (5) evaluating and analyzing the external environment and the company's internal situation and performance.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.
Topic: The Strategy Formulation, Strategy Execution Process

2. Which of the following is an integral part of the managerial process of crafting and executing strategy?

A. developing a proven business model
B. setting objectives and using them as yardsticks for measuring the company's performance and progress
C. deciding how much of the company's resources to employ in the pursuit of sustainable competitive advantage
D. communicating the company's mission and purpose to all employees
E. deciding on the composition of the company's board of directors

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3. When companies adopt the strategy making, strategy execution process, it requires they start by

A. developing a strategic vision, mission, and values.
B. developing a proven business model, deciding on the company's top management team, and crafting a strategy.
C. setting objectives, developing a business model, crafting a strategy, and deciding how much of the company's resources to employ in the pursuit of sustainable competitive advantage.
D. coming up with a statement of the company's mission and communicating it to all employees, setting objectives, selecting a business model, and monitoring developments and initiating corrective adjustments to the business model when necessary.
E. deciding on the company's board of directors, setting financial objectives, crafting a strategy, and choosing what business approaches and operating practices to employ.

Figure 2.1 displays the five-stage process. The first step is developing a strategic vision, mission, and values.

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4. The strategic management process is shaped by

A. management's strategic vision, strategic and financial objectives, and strategy.

B. the decisions made by the compensation and audit committees of the board of directors.

C. external factors such as the industry's economic and competitive conditions and internal factors such as the company's collection of resources and capabilities.

D. a company's customer value proposition and profit formula.

E. actions to strengthen competitive capabilities and correct weaknesses, actions to strengthen market standing and competitiveness by acquiring or merging with other companies, and actions to enter new geographic or product markets.

Figure 2.1 displays the five-stage process. Management's decisions that are made in the strategic management process are shaped by the prevailing economic conditions and competitive environment and the company's own internal resources and competitive capabilities as shown in Figure 2.1 and described in detail in Table 2.1.

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5. When a company is confronted with significant industry change that mandates radical revision of its strategic course, the company is said to have encountered a(n)

A. learning and growth perspective.

B. strategic inflection point.

C. strategic roadblock.

D. new strategic opportunity.

E. opportunity for corporate entrepreneurship.

The evaluation stage of the strategic management process (as shown in Figure 2.1) also allows for a change in the company's vision, but this should be necessary only when it becomes evident to management that the industry has changed in a significant way that renders its vision obsolete. Such occasions can be referred to as strategic inflection points. When a company reaches a strategic inflection point, management has tough decisions to make about the company's direction because abandoning an established course carries considerable risk.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.
Topic: The Strategy Formulation, Strategy Execution Process

6. A company's strategic plan consists of

A. its balanced scorecard and its business model.

B. a vision of where it is headed, a set of performance targets, and a strategy to achieve them.

C. its strategy and management's specific, detailed plans for implementing it.

D. a company's plans for improving value-creating internal processes.

E. a strategic vision, a strategy, and a business model.

The first three stages of the strategic management process—(1) developing a strategic vision, (2) setting objectives, and (3) crafting strategy—comprise a strategic plan. A strategic plan maps out where a company is headed, establishes strategic and financial targets, and outlines the competitive moves and approaches to be used in achieving the desired business results.

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Accessibility: Keyboard Navigation
Blooms: Remember
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Topic: The Strategy Formulation, Strategy Execution Process

7. The strategy-making, strategy-executing process

A. is usually delegated to members of a company's board of directors so as not to infringe on the time of busy executives.

B. includes establishing a company's mission, developing a business model aimed at making the company an industry leader, and crafting a strategy to implement and execute the business model.

C. embraces the tasks of developing a strategic vision, setting objectives, crafting a strategy, implementing and executing the strategy, and then monitoring developments and initiating corrective adjustments in light of experience, changing conditions, and new opportunities.

D. is principally concerned with sizing up an organization's internal and external situation, so as to be prepared for the challenge of developing a sound business model.

E. is primarily the responsibility of top executives and the board of directors; very few managers below this level are involved.

The process consists of the five steps outlined in Figure 2.1. Management's decisions that are made in the strategic management process are shaped by the prevailing economic conditions and competitive environment and the company's own internal resources and competitive capabilities, also shown in Figure 2.1 and described in detail in Table 2.1.

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8. A company's strategic vision concerns

A. a company's directional path and future product-customer-market-technology focus.
B. why the company does certain things in trying to please its customers.
C. management's story line of how it intends to make a profit with the chosen strategy.
D. "who we are and what we do."
E. what future actions the enterprise will likely undertake to outmaneuver rivals and achieve a sustainable competitive advantage.

Top management's views about the company's direction and future product-customer-market-technology focus constitute a strategic vision for the company. A clearly articulated strategic vision communicates management's aspirations to stakeholders about "where we are going" and helps steer the energies of company personnel in a common direction.

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Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.
Topic: Stage 1: Developing a Strategic Vision, a Mission, and Core Values

9. Management's strategic vision for an organization

A. charts a strategic course for the organization ("where we are going") and outlines the company's future product-customer-market-technology focus.
B. describes in fairly specific terms the organization's business model, strategic objectives, and strategy.
C. spells out how the company will become a big moneymaker and boost shareholder value.
D. addresses the critical issue of "why our business model needs to change and how we plan to change it."
E. spells out the organization's strategic moves that will be undertaken to achieve competitive advantage.

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Difficulty: 1 Easy
Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.
Topic: Stage 1: Developing a Strategic Vision, a Mission, and Core Values

10. Top management's views about where the company is headed and what its future product-customer-market-technology will be

A. indicates what kind of business model the company is going to have in the future.

B. constitutes the strategic vision for the company.

C. signals what the firm's strategy will be.

D. serves to define the company's mission.

E. indicates what the company's long-term strategic plan is.

Top management's views about the company's direction and future product-customer-market-technology focus constitute a strategic vision for the company. A clearly articulated strategic vision communicates management's aspirations to stakeholders about "where we are going" and helps steer the energies of company personnel in a common direction.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.
Topic: Stage 1: Developing a Strategic Vision, a Mission, and Core Values

11. Which one of the following is *not* an accurate attribute of an organization's strategic vision?

A. a clearly articulated view of "where we are going"

B. describing the company's future product-customer-market-technology focus

C. pointing an organization in a particular direction and charting a strategic path for it to follow

D. providing managers with a reference point for making strategic decisions

E. specifying how the company intends to implement and execute its business model

Top management's views about the company's direction and future product-customer-market-technology focus constitute a strategic vision for the company. A clearly articulated strategic vision communicates management's aspirations to stakeholders about "where we are going" and helps steer the energies of company personnel in a common direction.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.
Topic: Stage 1: Developing a Strategic Vision, a Mission, and Core Values

12. Well-conceived visions are

A. distinctive.

B. specific to a particular organization.

C. free of generic, feel-good statements.

D. not innocuous one-sentence statements.

E. All of these choices are correct.

As shown in Table 2.2, for a strategic vision to function as a valuable managerial tool, it must provide understanding of what management wants its business to look like and provide managers with a reference point in making strategic decisions. It must say something definitive and specific about how the company's leaders intend to position the company beyond where it is today.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.
Topic: Stage 1: Developing a Strategic Vision, a Mission, and Core Values

13. Which of the following are characteristics of an effectively worded strategic vision statement?

A. graphic, directional, and focused
B. challenging, competitive, and "set in concrete"
C. balanced, responsible, and rational
D. realistic, customer-focused, and market-driven
E. achievable, profitable, and ethical

From Table 2.2, it is evident that an effectively worded vision statement is graphic, directional, focused, flexible, feasible, desirable, and easy to communicate. A surprising number of the vision statements found on company websites and in annual reports are vague and unrevealing, saying very little about the company's future product-market-customer-technology focus.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 3 Hard
Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.
Topic: Stage 1: Developing a Strategic Vision, a Mission, and Core Values

14. Which one of the following is *not* a characteristic of an effectively worded strategic vision statement?

A. directional (is forward-looking, describes the strategic course that management has charted and the kinds of product-market-customer-technology changes that will help the company prepare for the future)

B. easy to communicate (is explainable in 10 to 15 minutes, can be reduced to a memorable slogan)

C. graphic (paints a picture of the kind of company management is trying to create and the market position or positions the company is striving to stake out)

D. consensus-driven (commits the company to a "mainstream" directional path that most all stakeholders will enthusiastically support)

E. focused (is specific enough to provide guidance to managers in making decisions and allocating resources)

From Table 2.2, it is evident that an effectively worded vision statement is graphic, directional, focused, flexible, feasible, desirable, and easy to communicate. While consensus among stakeholders is helpful to adopting a vision statement, crafting that statement is in the purview of top managers.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 3 Hard
Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.
Topic: Stage 1: Developing a Strategic Vision, a Mission, and Core Values

15. Which of the following is *not* a common shortcoming of company vision statements?

A. vague or incomplete—short on specifics

B. focused and narrow—exclusive to a specific direction

C. bland or uninspiring

D. not distinctive—could apply to most any company (or at least several others in the same industry)

E. too reliant on superlatives (best, most successful, recognized leader, global or worldwide leader, first choice of customers)

From Table 2.3, it is evident that an ineffectively worded vision statement is not forward-looking; too broad, bland or uninspiring; not distinctive; and overly reliant on superlatives.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 3 Hard
Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.
Topic: Stage 1: Developing a Strategic Vision, a Mission, and Core Values

16. Which of the following are common shortcomings of company vision statements?

A. too broad, vague or incomplete, bland/uninspiring, not distinctive, and too reliant on superlatives

B. unrealistic, unconventional, and unbusinesslike

C. too specific, too inflexible, and can't be achieved in five years

D. too broad, too narrow, and too risky

E. not customer-driven, out-of-step with emerging technological trends, and too ambitious

From Table 2.3, it is evident that an ineffectively worded vision statement is not forward-looking, too broad, bland or uninspiring, not distinctive, and overly reliant on superlatives.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Understand

Difficulty: 3 Hard
Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.
Topic: Stage 1: Developing a Strategic Vision, a Mission, and Core Values

17. Effectively communicating the strategic vision down the line to lower-level managers and employees has the value of

A. not only explaining "where we are going and why" but, more importantly, also inspiring and energizing company personnel to unite to get the company moving in the intended direction.
B. helping company personnel understand why "making a profit" is so important.
C. making it easier for top executives to set strategic objectives.
D. helping lower-level managers and employees better understand the company's business model.
E. All of these choices are correct.

The defining characteristic of a well-conceived strategic vision is what it says about the company's future strategic course—"where we are headed and what our future product-customer-market-technology focus will be." Vision statements galvanize action among company personnel. Alternatively, mission statements of most companies say much more about the enterprise's present business scope and purpose—"why we exist."

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 3 Hard
Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.
Topic: Stage 1: Developing a Strategic Vision, a Mission, and Core Values

18. The benefit of a vivid, engaging, and convincing strategic vision is

A. its ability to crystallize top management's own view about the company's long-term direction.

B. it reduces the risk of rudderless decision making by managers at all levels of the organization.

C. it helps an organization prepare for the future.

D. its ability to unite company personnel behind managerial efforts to get the company moving in the intended direction.

E. All of these are important benefits of an effective strategic vision.

A well-thought-out, forcefully communicated strategic vision pays off in several respects: (1) It crystallizes senior executives' own views about the firm's long-term direction; (2) It reduces the risk of rudderless decision-making by management at all levels; (3) It is a tool for winning the support of employees to help make the vision a reality; (4) It provides a beacon for lower-level managers in forming departmental missions; and (5) It helps an organization prepare for the future.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 3 Hard
Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.
Topic: Stage 1: Developing a Strategic Vision, a Mission, and Core Values

19. A company's mission statement typically addresses which of the following questions?

A. Who are we? What do we do? and Why are we here?
B. What objectives and level of performance do we want to achieve?
C. Where are we going and what should our strategy be?
D. What approach should we take to achieve sustainable competitive advantage?
E. Why have we chosen a particular business model to achieve our objectives and our vision?

Mission statements of most companies say much more about the enterprise's present business scope and purpose—"why we exist."

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.
Topic: Stage 1: Developing a Strategic Vision, a Mission, and Core Values

20. Ideally, a company's mission statement should be sufficiently descriptive and include which of the following?

A. Identify the company's services and products to give the company its own identity.
B. Relate to the buyer's needs that the company seeks to satisfy.
C. Identify the customer or market that the company intends to serve.
D. Specify the approach taken by the company to satisfy its customer's needs.
E. All of these choices are correct.

Mission statements of most companies say much more about the enterprise's present business scope and purpose—"why we exist." A well-conceived mission statement should employ language specific enough to give the company its own identity. A mission statement that provides scant indication of "who we are and what we do" has no apparent value.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.

Topic: Stage 1: Developing a Strategic Vision, a Mission, and Core Values

21. The difference between the concept of a company mission statement and the concept of a strategic vision is that

A. a mission statement typically concerns a company's present business scope ("who we are and what we do"), whereas the principal concern of a strategic vision is with the company's future business scope (long-term direction and future product-customer-market-technology focus).

B. the mission is to make a profit, whereas a strategic vision concerns how to attract customers.

C. a mission statement deals with what to accomplish on behalf of shareholders and a strategic vision concerns what to accomplish on behalf of customers.

D. a mission statement concerns what to do to achieve short-run objectives and a strategic vision concerns what to do to achieve long-run performance targets.

E. a mission statement deals with "where we are headed," whereas a strategic vision provides the critical answer to "how will we get there."

The defining characteristic of a well-conceived strategic vision is what it says about the company's future strategic course—"where we are headed and what our future product-customer-market-technology focus will be." Vision statements galvanize action among company personnel. Alternatively, mission statements of most companies say much more about the enterprise's present business scope and purpose—"why we exist."

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 3 Hard

Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.

Topic: Stage 1: Developing a Strategic Vision, a Mission, and Core Values

22. A company's values concern

A. whether and to what extent it intends to operate in an ethical and socially responsible manner.
B. how aggressively it will seek to maximize profits and enforce high ethical standards.
C. the beliefs and operating principles built into the company's "balanced scorecard" for measuring performance.
D. the beliefs, traits, and behavioral norms that company personnel are expected to display in conducting the company's business and pursuing its strategic vision and mission.
E. the beliefs, principles, and ethical standards that are incorporated into the company's strategic intent and business model.

A company's **values** are the beliefs, traits, and behavioral norms that company personnel are expected to display in conducting the company's business and pursuing its strategic vision and mission.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.
Topic: Stage 1: Developing a Strategic Vision, a Mission, and Core Values

23. A company's values relate to such things as

A. how it will balance its pursuit of financial objectives against the pursuit of its strategic objectives.

B. how it will balance the pursuit of its business purpose/mission against the pursuit of its strategic vision.

C. fair treatment, integrity, ethical behavior, innovativeness, teamwork, top-notch quality, superior customer service, social responsibility, and community citizenship.

D. whether it will emphasize stock price appreciation or higher dividend payments to shareholders, and whether it will put more emphasis on the achievement of short-term performance targets or long-range performance targets.

E. All of these choices are correct.

Many companies have developed a statement of values (sometimes called core values) to guide the actions and behavior of company personnel in conducting the company's business and pursuing its strategic vision and mission. These values are the designated beliefs and desired ways of doing things at the company, and frequently relate to such things as fair treatment, honor and integrity, ethical behavior, innovativeness, teamwork, a passion for excellence, social responsibility, and community citizenship.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.
Topic: Stage 1: Developing a Strategic Vision, a Mission, and Core Values

24. The managerial purpose of setting objectives includes

A. converting the strategic vision into specific performance targets.

B. using the objectives as yardsticks for tracking the company's progress and performance.

C. challenging the organization to perform at its full potential and deliver the best possible results.

D. establishing deadlines for achieving performance results.

E. All of these choices are correct.

The managerial purpose for setting objectives is to convert the strategic vision into specific performance targets. Well-stated objectives are quantifiable, or measurable, and contain a deadline for achievement.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 Understand the importance of setting both strategic and financial objectives.
Topic: Stage 2: Setting Objectives

25. A company needs financial objectives

A. to overtake key competitors on such important measures as net profit margins and return on investment.

B. because without adequate profitability and financial strength, the company's ultimate survival is jeopardized.

C. to indicate to employees that financial objectives always take precedence over strategic objectives.

D. to convince shareholders that top management is acting in their interests.

E. to translate the company's business model into action items.

The importance of attaining financial objectives is intuitive. Without adequate profitability and financial strength, a company's long-term health and ultimate survival is jeopardized. Furthermore, subpar earnings and a weak balance sheet alarm shareholders and creditors and put the jobs of senior executives at risk.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 Understand the importance of setting both strategic and financial objectives.
Topic: Stage 2: Setting Objectives

26. Strategic objectives

A. are more essential in achieving a company's strategic vision than are financial objectives.
B. are generally less important than financial objectives.
C. are more difficult to achieve and harder to measure than financial objectives.
D. relate to strengthening a company's overall market standing and competitive vitality.
E. help managers track an organization's true progress better than do financial objectives.

Without adequate profitability and financial strength, a company's long-term health and ultimate survival is jeopardized. Furthermore, subpar earnings and a weak balance sheet alarm shareholders and creditors and put the jobs of senior executives at risk.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 02-02 Understand the importance of setting both strategic and financial objectives.
Topic: Stage 2: Setting Objectives

27. A balanced scorecard for measuring company performance

A. entails putting equal emphasis on financial and strategic objectives.
B. entails striking a balance between financial objectives and strategic objectives.
C. balances the drive for profits with social responsibility obligations.
D. prevents the drive for achieving strategic objectives from overwhelming the pursuit of financial objectives.
E. entails creating a set of financial objectives balanced among profitability measures and liquidity measures.

The balanced scorecard approach is a widely used method for balancing both strategic and financial objectives, tracking their achievement, and giving management a more complete and balanced view of how well an organization is performing.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember

Difficulty: 2 Medium
Learning Objective: 02-02 Understand the importance of setting both strategic and financial objectives.
Topic: Stage 2: Setting Objectives

28. A balanced scorecard that includes both strategic and financial performance targets is a conceptually strong approach for judging a company's overall performance because

A. financial performance measures are lagging indicators that reflect the results of past decisions and organizational activities, whereas strategic performance measures are leading indicators of a company's future financial performance.
B. it entails putting equal emphasis on good strategy execution and good business model execution.
C. a balanced scorecard approach pushes managers to avoid setting objectives that reflect the results of past decisions and organizational activities, and, instead, to set objectives that will serve as leading indicators of a company's future financial performance.
D. it assists managers in putting roughly equal emphasis on short-term and long-term performance targets.
E. it more or less forces managers to put equal emphasis on financial and strategic objectives.

In contrast to strategic objectives, which are leading indicators of a company's market standing and competitive vitality, a company's financial objectives are really lagging indicators that reflect the results of past decisions and organizational activities.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 Understand the importance of setting both strategic and financial objectives.
Topic: Stage 2: Setting Objectives

29. Why should long-run objectives take precedence over short-run objectives?

A. The focus is placed on improving performance in the near term.

B. Long-run objectives are necessary for achieving long-term performance and stand as a barrier to undue focus on short-term results.

C. Long-run objectives will satisfy shareholder expectations for progress.

D. Long-run objectives will force the company to deliver performance improvement in the current period.

E. None of these are correct.

Long-term objectives serve as a barrier to an undue focus on short-term results by nearsighted management. When trade-offs have to be made between achieving long- and short-run objectives, long-run objectives should take precedence (unless the achievement of one or more short-run performance targets has unique importance).

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 Understand the importance of setting both strategic and financial objectives.
Topic: Stage 2: Setting Objectives

30. Company objectives

A. are needed only on a companywide basis related to a company's short-term and long-term profitability.

B. need to be broken down into performance targets for each of its separate businesses, product lines, functional departments, and individual work units.

C. play the important role of establishing the direction in which the company needs to be headed.

D. are important because they help guide managers in deciding what the company's strategy map should look like.

E. should be set in a manner that does not conflict with the performance targets of lower-level organizational units.

Objective setting does not stop with the establishment of companywide performance targets but needs to be broken into performance targets for each of the organization's separate businesses, product lines, functional departments, and individual work units. This is necessary to guide employees within various functional areas and operating levels via narrow objectives relating directly to their departmental activities, rather than broad organizational-level goals.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 Understand the importance of setting both strategic and financial objectives.
Topic: Stage 2: Setting Objectives

31. A company needs performance targets or objectives

A. for its operations as a whole and for each of its separate businesses, product lines, functional departments, and individual work units.

B. because they provide parameters for the company's strategy map.

C. to unify the company's strategic vision and business model.

D. to help guide managers in deciding what strategic path to take in the event that a strategic inflection point is encountered.

E. to prevent lower-level organizational units from establishing their own objectives.

Objective setting does not stop with the establishment of companywide performance targets but needs to be broken into performance targets for each of the organization's separate businesses, product lines, functional departments, and individual work units. This is necessary to guide employees within various functional areas and operating levels via narrow objectives relating directly to their departmental activities, rather than broad organizational-level goals.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 Understand the importance of setting both strategic and financial objectives.
Topic: Stage 2: Setting Objectives

32. The task of stitching together a strategy

A. entails addressing a series of "hows": how to grow the business, how to please customers, how to outcompete rivals, how to respond to changing market conditions, and how to achieve strategic and financial objectives.

B. is primarily an exercise in deciding which of several freshly emerging market opportunities to pursue.

C. should be dictated by what is comfortable to management from a risk perspective and what is acceptable in terms of capital requirements.

D. requires trying to copy the strategies of industry leaders as closely as possible.

E. is mainly an exercise in good planning.

As stated in the text, the task of stitching a strategy together entails addressing a series of "hows": how to attract and please customers, how to compete against rivals, how to position the company in the marketplace and capitalize on attractive opportunities to grow the business, how best to respond to changing economic and market conditions, how to manage each functional piece of the business, and how to achieve the company's performance targets.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-03 Understand why the strategic initiatives taken at various organizational levels must be tightly coordinated to achieve companywide performance targets.
Topic: Stage 3: Crafting a Strategy

33. Crafting strategy requires

A. a collaborative effort that includes managers in various position at various organizational levels.
B. executive management involvement only.
C. participation by all employees.
D. a collaborative effort between the CEO and board members only.
E. All of these choices are correct.

Crafting a strategy is a collaborative team effort that includes managers in various positions and at various organizational levels. Crafting a strategy is rarely something only high-level executives perform.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-03 Understand why the strategic initiatives taken at various organizational levels must be tightly coordinated to achieve companywide performance targets.
Topic: Stage 3: Crafting a Strategy

34. Corporate strategy

A. is primarily concerned with strengthening a company's market position and building competitive advantage.

B. is subject to being changed much less frequently than either a company's objectives or its mission statement.

C. should be based on a flexible strategic vision and mission.

D. ensures consistency in strategic approach among businesses of a diversified, multibusiness corporation.

E. determines balanced scorecard financial and strategic objectives.

As shown in Figure 2.2, corporate strategy is orchestrated by the CEO and other senior executives, and establishes an overall game plan for managing a set of businesses in a diversified, multibusiness company. Corporate strategy addresses the questions of how to capture cross-business synergies, what businesses to hold or divest, which new markets to enter, and how to best enter new markets—by acquisition, by creation of a strategic alliance, or through internal development.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 02-03 Understand why the strategic initiatives taken at various organizational levels must be tightly coordinated to achieve companywide performance targets.
Topic: Stage 3: Crafting a Strategy

35. Business strategy concerns

A. strengthening the company's market position and building competitive advantage.
B. ensuring consistency in strategic approach among the businesses of a diversified company.
C. selecting a business model to use in pursuing business objectives.
D. selecting a set of financial and strategic objectives for a particular line of business.
E. choosing appropriate internal business processes for a specific line of business.

Business strategy is primarily concerned with building competitive advantage in a single business unit of a diversified company or strengthening the market position of a nondiversified single-business company.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-03 Understand why the strategic initiatives taken at various organizational levels must be tightly coordinated to achieve companywide performance targets.
Topic: Stage 3: Crafting a Strategy

36. In a single-business company, the strategy-making hierarchy consists of

A. business strategy, divisional strategies, and departmental strategies.
B. business strategy, functional strategies, and operating strategies.
C. business strategy and operating strategy.
D. managerial strategy, business strategy, and divisional strategies.
E. corporate strategy, divisional strategies, and departmental strategies.

In single-business companies, the corporate and business levels of the strategy-making hierarchy merge into a single level—business strategy—because the strategy for the entire enterprise involves only one distinct business. So, a single-business company has three levels of strategy: business strategy, functional-area strategies, and operating strategies.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember

Difficulty: 1 Easy
Learning Objective: 02-03 Understand why the strategic initiatives taken at various organizational levels must be tightly coordinated to achieve companywide performance targets.
Topic: Stage 3: Crafting a Strategy

37. Functional strategies

A. specify what actions a company should take to resolve specific strategic issues and problems.
B. concern the actions, approaches, and practices related to particular functions or processes within a business.
C. are concerned with how to unify the firm's several different operating strategies into a cohesive whole.
D. are normally crafted by the company's CEO and other senior executives.
E. None of these are correct.

Functional-area strategies concern the actions related to particular functions or processes within a business.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-03 Understand why the strategic initiatives taken at various organizational levels must be tightly coordinated to achieve companywide performance targets.
Topic: Stage 3: Crafting a Strategy

38. Functional strategies

A. unify the company's various operating-level strategies.

B. specify how to build and strengthen the skills, expertise, and competencies needed to execute operating-level strategies successfully.

C. support and add power to the corporate-level strategy.

D. add relevant detail to the "hows" of a company's business-level strategy and specify what resources are needed to put the strategy into action.

E. create the chief elements of the company's strategy map.

Functional-area strategies (as shown in Figure 2.2) concern the detailed actions and game plan(s) related to particular functions or processes within a business.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-03 Understand why the strategic initiatives taken at various organizational levels must be tightly coordinated to achieve companywide performance targets.
Topic: Stage 3: Crafting a Strategy

39. Operating strategies concern

A. what the firm's operating departments are doing to unify the company's functional and business strategies.

B. the specific plans for building competitive advantage in each major department and operating unit.

C. the relatively narrow strategic initiatives and approaches for managing key operating units within a business and for performing strategically significant operating tasks.

D. how best to carry out the company's corporate strategy.

E. how best to implement and execute the company's different business-level strategies.

Operating strategies concern the relatively narrow strategic initiatives and approaches for managing key operating units (plants, distribution centers, geographic units) and specific operating activities, such as materials purchasing or Internet sales.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-03 Understand why the strategic initiatives taken at various organizational levels must be tightly coordinated to achieve companywide performance targets.
Topic: Stage 3: Crafting a Strategy

40. Which of the following is *not* among the principal managerial tasks associated with managing the strategy execution process?

A. ensuring that policies and procedures facilitate rather than impede effective execution
B. creating a company culture and work climate conducive to successful strategy implementation and execution
C. surveying employees on how employee job satisfaction can be improved
D. exerting the internal leadership needed to drive implementation forward
E. tying rewards and incentives directly to the achievement of performance objectives

Good strategy execution entails that managers pay careful attention to how key internal business processes are performed and see to it that employees' efforts are directed toward the accomplishment of desired operational outcomes.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 Learn what a company must do to achieve operating excellence and to execute its strategy proficiently.
Topic: Stage 4: Crafting a Strategy

41. Management is obligated to monitor new external developments, evaluate the company's progress, and make corrective adjustments in order to

A. determine whether the company has a balanced scorecard for judging its performance.
B. decide whether to continue or change the company's strategic vision, objectives, strategy and/or strategy execution methods.
C. determine what changes should be made to its customer value proposition.
D. determine whether the company's business model is well matched to changing market and competitive circumstances.
E. stay on track in achieving the company's mission and strategic vision.

A company's direction, objectives, and strategy have to be revisited any time external or internal conditions warrant. A company's vision, objectives, strategy, and approach to strategy execution are never final; managing strategy is an ongoing process, not an every-now-and-then task.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 Learn what a company must do to achieve operating excellence and to execute its strategy proficiently.
Topic: Stage 5: Evaluating Performance and Initiating Corrective Adjustments

42. A company's direction, objectives, and strategy

A. have to be revisited any time internal conditions warrant.
B. are never final as it is an ongoing process.
C. are not a now-and-then task.
D. have to be revisited whenever a firm encounters disruptive changes in its environment.
E. All of these choices are correct.

A company's direction, objectives, and strategy have to be revisited any time external or internal conditions warrant. A company's vision, objectives, strategy, and approach to strategy execution are never final; managing strategy is an ongoing process, not an every-now-and-then task.

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 02-04 Learn what a company must do to achieve operating excellence and to execute its strategy proficiently.
Topic: Stage 5: Evaluating Performance and Initiating Corrective Adjustments

43. Proficient strategy execution

A. is always the product of much organizational learning.
B. is achieved unevenly, coming quickly in some areas and more slowly in others.
C. entails vigilantly searching for ways to improve performance.
D. is an ongoing process, not an every-now-and-then task.
E. All of these choices are correct.

Good strategy execution entails that managers pay careful attention to how key internal business processes are performed and see to it that employees' efforts are directed toward the accomplishment of desired operational outcomes. The task of implementing and executing the strategy also necessitates an ongoing analysis of the efficiency and effectiveness of a company's internal activities and a managerial awareness of new developments that might improve business processes.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 02-04 Learn what a company must do to achieve operating excellence and to execute its strategy proficiently.
Topic: Stage 5: Evaluating Performance and Initiating Corrective Adjustments

44. The primary roles/obligations of a company's board of directors in the strategy-making, strategy-executing process include

A. playing the lead role in forming the company's strategy and then directly supervising the efforts and actions of senior executives in implementing and executing the strategy.

B. providing guidance and counsel to the CEO in carrying out his or her duties as chief strategist and chief strategy implementer.

C. overseeing the company's financial accounting and reporting practices, evaluating the caliber of senior executives' strategy-making and strategy-executing skills, and instituting a compensation plan that rewards top executives for results that serve shareholder interests.

D. working closely with the CEO, senior executives, and the strategic planning staff to develop a strategic plan for the company.

E. reviewing and approving the company's business model, and reviewing and approving the proposals and recommendations of the CEO as to how to execute the business model.

The role of the board involves: (1) oversight over the company's financial accounting and financial reporting practices; (2) oversight over and critique of the company's direction, strategy, and business approaches; (3) evaluation of the caliber of senior executives' strategy formulation and strategy execution skills; and (4) instituting a compensation plan for top executives that rewards them for actions and results that serve shareholder interests.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-05 Become aware of the role and responsibility of a company's board of directors in overseeing the strategic management process.
Topic: Corporate Governance: The Role of the Board of Directors in the Strategy Formulation, Strategy Execution Process

45. The obligations of an investor-owned company's board of directors in the strategy-making, strategy-executing process include

A. coming up with compelling strategy proposals to debate against those put forward by top management.
B. taking the lead in formulating the company's strategic plan but then delegating the task of implementing and executing the strategic plan to the company's CEO and other senior executives.
C. taking the lead in developing the company's business model and strategic vision.
D. overseeing the company's financial accounting and financial reporting practices and evaluating the caliber of senior executives' strategy-making/strategy-executing skills.
E. approving the company's operating strategies, functional-area strategies, business strategy, and overall corporate strategy.

It is the duty of the board of directors to exercise strong oversight and see that the five tasks of strategic management are done in a manner that benefits shareholders with respect to the following: (1) monitoring the company's performance, including financial and accounting reporting practices; (2) guiding and judging the CEO and other top executives; (3) curbing management actions it believes are inappropriate or unduly risky; (4) certifying to shareholders that the CEO is doing what the board expects; (5) providing insight and advice to management; and (6) remaining intensely involved in debating the pros and cons of key decisions and actions.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-05 Become aware of the role and responsibility of a company's board of directors in overseeing the strategic management process.
Topic: Corporate Governance: The Role of the Board of Directors in the Strategy Formulation, Strategy Execution Process

46. Which one of the following is *not* among the chief duties or responsibilities of a company's board of directors insofar as the strategy-making, strategy-executing process is concerned?

A. Hire and fire senior-level executives and work with the company's chief strategic planning officer to improve the company's performance.
B. Inquire about and exercise strong oversight over the company's direction, strategy, and business approaches.
C. Evaluate the caliber of senior executives' strategy-making/strategy-executing skills.
D. Institute a compensation plan for top executives that rewards them for actions and results that serve stakeholders' interests and most especially those of shareholders.
E. Oversee the company's financial accounting and financial reporting practices.

Hiring and firing senior level executives and working with the chief strategic planning officer is *not* among the primary duties of a company's board of directors. Those primary duties *do* include: (1) monitoring the company's performance, including financial and accounting reporting practices, (2) guiding and judging the CEO and other top executives, (3) curbing management actions it believes are inappropriate or unduly risky, (4) certifying to shareholders that the CEO is doing what the board expects, (5) providing insight and advice to management, and (6) remaining intensely involved in debating the pros and cons of key decisions and actions.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-05 Become aware of the role and responsibility of a company's board of directors in overseeing the strategic management process.
Topic: Corporate Governance: The Role of the Board of Directors in the Strategy Formulation, Strategy Execution Process

Short Answer Questions

47. What are the five stages of the strategy-making, strategy-executing process and what does each one involve?

Answers may vary. The five stages are provided in the feedback.

Feedback: The managerial process of crafting and executing a company's strategy is an ongoing, continuous process consisting of five integrated stages: (1) developing a strategic vision, (2) setting objectives, (3) crafting strategy, (4) implementing and executing the chosen strategy, and (5) evaluating and analyzing the external environment and the company's internal situation and performance.

AACSB: Analytical Thinking
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.
Topic: The Strategy Formulation, Strategy Execution Process

48. Define and briefly explain what is meant by each of the following terms:

a. strategic inflection point
b. strategic vision
c. strategic objective
d. strategic plan
e. balanced scorecard

Answers may vary.

Feedback: Students should be able to outline these particular aspects of the first three stages of the five-stage strategy formulation and execution process: (1) developing a strategic vision, (2) setting objectives, and (3) crafting strategy.

AACSB: Analytical Thinking
Blooms: Remember
Difficulty: 3 Hard

Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.
Learning Objective: 02-02 Understand the importance of setting both strategic and financial objectives.
Learning Objective: 02-03 Understand why the strategic initiatives taken at various organizational levels must be tightly coordinated to achieve companywide performance targets.
Topic: Stage 1: Developing a Strategic Vision, a Mission, and Core Values
Topic: Stage 2: Setting Objectives
Topic: Stage 3: Crafting a Strategy
Topic: The Strategy Formulation, Strategy Execution Process

49. A well-conceived strategic vision helps prepare a company for the future. True or false? Explain and justify your answer.

Answers may vary.

Feedback: Developing a strategic vision is necessarily future-oriented in that it charts a company's long-term direction.

AACSB: Analytical Thinking
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.
Topic: The Strategy Formulation, Strategy Execution Process

50. Explain why an organization needs a strategic vision. What purpose does a strategic vision serve?

Answers may vary.

Feedback: The defining characteristic of a well-conceived strategic vision is what it says about the company's future strategic course: "where we are headed and what our future product-customer-market-technology focus will be."

AACSB: Analytical Thinking
Blooms: Understand
Difficulty: 2 Medium

Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.
Topic: The Strategy Formulation, Strategy Execution Process

51. What is the difference between a mission statement and a strategic vision?

Answers may vary.

Feedback: The defining characteristic of a well-conceived strategic vision is what it says about the company's future strategic course: "where we are headed and what our future product-customer-market-technology focus will be." The mission statements of most companies say much more about the enterprise's present business scope and purpose: "why we exist."

AACSB: Analytical Thinking
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-01 Grasp why it is critical for company managers to have a clear strategic vision of where a company needs to head and why.
Topic: Stage 1: Developing a Strategic Vision, a Mission, and Core Values

52. What is the meaning of the term "balanced scorecard"? What are the merits of using a balanced scorecard in judging a company's performance?

Answers may vary.

Feedback: The balanced scorecard is a widely used method for combining the use of both strategic and financial objectives, tracking their achievement, and giving management a more complete and balanced view of how well an organization is performing. Merely tracking a company's financial performance overlooks the fact that what ultimately enables a company to deliver better financial results is the achievement of strategic objectives that improve its competitiveness and market strength.

AACSB: Analytical Thinking
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 02-02 Understand the importance of setting both strategic and financial objectives.

Topic: Stage 2: Setting Objectives

53. What are the two types of objectives included in the balanced scorecard? Define and provide five examples of each.

Answers may vary.

Feedback: The balanced scorecard is a widely used method for combining the use of both strategic and financial objectives, tracking their achievement, and giving management a more complete and balanced view of how well an organization is performing. The two types of objectives included in the balanced scorecard are strategic (e.g., market share, customer retention, customer satisfaction, customer acquisition, new product introduction, reduction of product development cycles, etc.) and financial (e.g., annual percent increases in sales and earnings per share, returns on capital employed, increases in internal cash flows for investment, and improved credit ratings).

AACSB: Analytical Thinking
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 Understand the importance of setting both strategic and financial objectives.
Topic: Stage 2: Setting Objectives

54. The achievement of financial objectives tends to be a lagging indicator of a company's performance while the achievement of strategic objectives tends to be a leading indicator of a company's future financial performance. True or false? Support and explain your answer.

Answers may vary.

Feedback: In contrast to strategic objectives, which are leading indicators of a company's market standing and competitive vitality, a company's financial objectives are really lagging indicators that reflect the results of past decisions and organizational activities. The results of past decisions and organizational activities are often unreliable indicators of a company's future prospects. Companies that have been poor financial performers are sometimes able to turn things around, and good financial performers on occasion fall upon hard times. Hence, the best and most reliable predictors of a company's success in the marketplace and future financial performance are strategic objectives.

AACSB: Analytical Thinking
Blooms: Understand
Difficulty: 3 Hard
Learning Objective: 02-02 Understand the importance of setting both strategic and financial objectives.
Topic: Stage 2: Setting Objectives

55. Explain why a company's strategy is really a bundle of strategies.

Answers may vary.

Feedback: Crafting a strategy is a collaborative team effort that includes managers in various positions and at various organizational levels, involving corporate strategies (in multibusiness firms), business strategies (by division or in single-business firms), functional strategies, and operating strategies.

AACSB: Analytical Thinking
Blooms: Understand
Difficulty: 3 Hard
Learning Objective: 02-03 Understand why the strategic initiatives taken at various organizational levels must be tightly coordinated to achieve companywide performance targets.

Topic: Stage 3: Crafting a Strategy

56. A single-business company has three levels of strategy. Name and describe each level.

Answers may vary. The three levels of strategy are provided in Feedback.

Feedback: A single-business company has three levels of strategy: business strategy, functional-area strategies, and operating strategies.

AACSB: Analytical Thinking
Blooms: Understand
Difficulty: 3 Hard
Learning Objective: 02-03 Understand why the strategic initiatives taken at various organizational levels must be tightly coordinated to achieve companywide performance targets.
Topic: Stage 3: Crafting a Strategy

57. Identify and briefly discuss at least three obligations of a company's board of directors in corporate governance and the strategy formulation, strategy execution process.

Answers may vary.

Feedback: The role of the board involves: (1) oversight over the company's financial accounting and financial reporting practices; (2) oversight over and critique of the company's direction, strategy, and business approaches; (3) evaluation of the caliber of senior executives' strategy formulation and strategy execution skills; and (4) instituting a compensation plan for top executives that rewards them for actions and results that serve shareholder interests. To be effective, a board of directors needs to: (1) stay well informed about the company's performance, (2) guide and judge the CEO and other top executives, (3) have the courage to curb management actions it believes are inappropriate or unduly risky, (4) certify to shareholders that the CEO is doing what the board expects, (5) provide insight and advice to management, and (6) be intensely involved in debating the pros and cons of key decisions and actions.

AACSB: Analytical Thinking
Blooms: Remember
Difficulty: 3 Hard

Learning Objective: 02-05 Become aware of the role and responsibility of a company's board of directors in overseeing the strategic management process.
Topic: Corporate Governance: The Role of the Board of Directors in the Strategy Formulation, Strategy Execution Process

58. Identify and briefly discuss at least two examples of faulty oversight by a company's board of directors in corporate governance and/or the strategy formulation, strategy execution process.

Answers may vary.

Feedback: Faulty oversight of corporate accounting and financial reporting practices by audit committees and corporate boards during the early 2000s resulted in the federal government's investigation of more than 20 major corporations between 2000 and 2002, leading to passage of the Sarbanes-Oxley Act in 2002. All too often, boards of directors have done a poor job of ensuring that executive salary increases, bonuses, and stock option awards are tied tightly to performance measures that are truly in the long-term interests of shareholders. As a consequence, the need to overhaul and reform executive compensation has become a hot topic in both public circles and corporate boardrooms. Weak governance at Fannie Mae and Freddie Mac allowed opportunistic senior managers to secure exorbitant bonuses, while making decisions that imperiled the futures of the companies they managed. Also, many boards have found that meeting agendas have become consumed by compliance matters, thus little time is left to discuss matters of strategic importance.

AACSB: Analytical Thinking
Blooms: Remember
Difficulty: 3 Hard
Learning Objective: 02-05 Become aware of the role and responsibility of a company's board of directors in overseeing the strategic management process.
Topic: Corporate Governance: The Role of the Board of Directors in the Strategy Formulation, Strategy Execution Process