

## **Chapter (8) Foundations of Planning:**

### **✓ True Or False:**

- 1) Planning is concerned with how objectives are to be accomplished, not what is to be accomplished.

Answer: FALSE

- 2) Planning provides direction to managers and non-managers alike.

Answer: TRUE

- 3) Absence of planning does not inhibit the ability of departments and individuals to work together or organizations to move.

Answer: FALSE

- 4) Planning helps managers eliminate uncertainty and insulates organizations from change.

Answer: FALSE

- 5) Several research studies have conclusively proven that planning organizations always outperform non-planning organizations.

Answer: FALSE

- 6) Studies indicate that doing a good job planning and implementing those plans play a bigger part in high performance than does how much planning is done.

Answer: TRUE

- 7) As managers plan, they develop both goals and plans.

Answer: TRUE

8) Most businesses have only the single goal of making profits.

Answer: FALSE

9) Strategic goals focus exclusively on the financial performance of the organization.

Answer: FALSE

10) Stated goals are those that an organization actually pursues.

Answer: FALSE

11) The number of years used to define short-term and long-term plans has increased considerably because of the greater environmental certainty businesses have today.

Answer: FALSE

12) Long-term plans are those with a time frame beyond three years.

Answer: TRUE

13) Short-term plans are those covering one year or less.

Answer: TRUE

14) When uncertainty is high and managers must be flexible in order to respond to unexpected changes, directional plans are preferable.

Answer: TRUE

15) Directional plans are clearly defined and leave no room for interpretation.

Answer: FALSE

- 16) The standard procedure to be followed by the human resources department of a company when initiating disciplinary action against an employee is an example of a standing plan.

Answer: TRUE

- 17) In traditional goal setting, goals set by top managers flow down through the organization and become sub goals for each organizational area.

Answer: TRUE

- 18) In the management by objectives (MBO) process of goal setting, goals are not well-defined, giving managers and employees more flexibility to respond to changing conditions.

Answer: FALSE

- 19) The first step in goal setting is to evaluate available resources.

Answer: FALSE

- 20) The commitment concept says that plans should extend far enough to meet those commitments made when the plans were developed.

Answer: TRUE

- 21) In an uncertain environment, managers should develop plans that are specific, but flexible.

Answer: TRUE

- 22) Dynamic environments require a flatter organizational hierarchy in order to plan effectively.

Answer: TRUE

❖ **Choose The Correct Answer:**

1) \_\_\_\_\_ involves defining the organization's goals, establishing strategies for achieving those goals, and developing plans to integrate and coordinate work activities.

- A. Execution
- B. Logistics
- C. Planning
- D. Operations

Answer: C

2) The effect of planning on managers is that it forces them to \_\_\_\_\_.

- A. grow resistant to change
- B. anticipate and respond to change
- C. eliminate uncertainty
- D. work at cross purposes

Answer: B

3) Which of the following is one of the reasons why managers should plan?

- A. When work activities are coordinated around plans, inefficiencies become obvious.
- B. Uncertainty can be eliminated and the organization can be insulated from change with planning.
- C. Planning eliminates the need to set goals.
- D. Planning eliminates the need to measure work effort

Answer: A

4) Which of the following is true of the impact of formal planning on organizational performance?

- A. Formal planning is associated with positive financial results.

- B. Organizations that formally plan invariably outperform those that don't plan.
- C. The amount of planning done is more important to high performance than the quality of planning and implementation
- D. Companies can start seeing the impact of formal planning on performance after about a year of starting the planning process.

Answer: A

5) When formal planning fails to lead to higher performance, which of the following is most likely to be the reason for the failure?

- A. A participative style of planning was used.
- B. Managers were allowed too much autonomy.
- C. The company emphasized the control function over other functions.
- D. Constraints of the external environment.

Answer: D

6) Which aspect of planning refers to documents that outline how results are to be achieved?

- A. goals
- B. plans
- C. objectives
- D. performance

Answer: B

7) Goals are different from plans because \_\_\_\_\_.

- A. goals identify specific steps that the organization needs to achieve, and plans identify the overall mission of the organization
- B. goals describe financial objectives, and plans describe objectives related to social responsibility

- C. goals are important only for small companies, and plans are important only for large companies
- D. goals are desired outcomes, and plans describe how those outcomes will be accomplished

Answer: D

- 8) Which of the following statements is true regarding an organization's goals?
- A. All organizations share the single goal of making profits.
  - B. A single goal is more efficient than multiple goals for defining an organization's success.
  - C. Using a single goal such as profit may result in unethical behaviors by employees.
  - D. Long-term success is ensured if managers emphasize only one goal for an organization.

Answer: C

- 9) Most company's goals can be classified as either \_\_\_\_\_ or \_\_\_\_\_.
- A. strategic; financial
  - B. operational; tactical
  - C. social; economic
  - D. strategic; operational

Answer: A

- 10) Nike, Inc. is a sportswear and equipment manufacturer that serves a multitude of sports disciplines. Which of the following statements from Nike would be the best example of a strategic goal?
- A. a ten percent increase in average annual sales
  - B. a seven percent increase in average annual income
  - C. achieving a return on investment of 17 percent
  - D. accelerating growth through focused execution

Answer: D

- 11) An organization's \_\_\_\_\_ goals are official statements of what an organization says, and what it wants its stakeholders to believe its goals are.
- A. stated
  - B. real
  - C. authentic
  - D. implicit

Answer: A

- 12) Which of the following is the best indicator of an organization's real goals?
- A. organizational members' actions
  - B. mission statement
  - C. annual reports
  - D. stock valuation

Answer: A

- 13) An organization's mission states that it "is committed to reducing its environmental footprint"; but its facilities do not comply with statutory environmental regulations. This is an instance of how \_\_\_\_\_.
- A. strategic goals help shape financial goals
  - B. long-term goals differ from short-term goals
  - C. an organizations stated goals need not be its real goals
  - D. a company's real goals are derived from its mission statement

Answer: C

- 14) Organizational plans can be classified on the basis of all of the following characteristics, except on the basis of their \_\_\_\_\_.
- A. breadth
  - B. attainability

- C. specificity
- D. frequency of use

Answer: B

- 15) Strategic plans are usually \_\_\_\_\_.
- A. short term, directional, and standing
  - B. short term, specific, and standing
  - C. long term, directional, and single use
  - D. long term, specific, and standing

Answer: C

- 16) \_\_\_\_\_ plans apply to the entire organization and establish the organization's overall goals.
- A. Departmental
  - B. Strategic
  - C. Operational
  - D. Specific

- 17) Operational plans are usually \_\_\_\_\_.
- A. short term, directional, and standing
  - B. short term, specific, and standing
  - C. long term, directional, and single use
  - D. long term, specific, and standing

Answer: B

- 18) Plans that encompass only the production or the sales goals of a company are termed \_\_\_\_\_ plans.
- A. operational
  - B. strategic
  - C. informal
  - D. financial



Answer: A

- 19) Which of the following factors has contributed to the decline in the number of years used to define short-term and long-term plans?
- A. environmental uncertainty
  - B. profit-orientation of businesses
  - C. flattened organizational structures
  - D. stagnant business conditions

Answer: A

- 20) Long-term plans are defined as those with a time frame beyond \_\_\_\_\_.
- A. seven years
  - B. one year
  - C. five years
  - D. three years

Answer: D

- 21) Short-term plans are those covering \_\_\_\_\_ or less.
- A. three years
  - B. one year
  - C. six months
  - D. five years

Answer: B

- 22) \_\_\_\_\_ plans are plans that are clearly defined and leave no room for interpretation.
- A. Directional
  - B. Stated
  - C. Long-term
  - D. Specific

Answer: D

23) What plans are preferable when uncertainty is high in the business environment?

- A. standing plans
- B. directional plans
- C. specific plans
- D. informal plans

Answer: B

24) Which of the following is an example of a single-use plan?

- A. affirmative action hiring policies of a company
- B. a plan developed to implement new environmental regulations
- C. the procedure to be followed for firing low-performing employees
- D. a plan developed to ensure worker safety at the company's facilities

Answer: B

25) A standing plan is \_\_\_\_\_.

- A. an ongoing plan that provides guidance for activities performed repeatedly
- B. a plan that stands in place of a preferred plan in case of the failure of the latter
- C. a one-time plan specifically designed to meet the needs of a unique situation
- D. a flexible plan that sets out general guidelines for company strategy

Answer: A

26) Which of the following is an example of a standing plan?

- A. a retail chain's plan to counter the entry of a new competitor
- B. a plan developed to address a sudden, unanticipated surge in demand

- C. a fire escape policy establishing practices to be followed in an emergency
- D. a plan to cope with radical changes in the political environment

Answer: C

27) In \_\_\_\_\_, goals set by top managers' flow down through the organization and become sub goals for each organizational area.

- A. management by objectives
- B. management by observation
- C. traditional goal setting
- D. management by exception

Answer: C

28) Which of the following is an assumption associated with traditional goal setting?

- A. Employees will be more motivated to try to attain goals that they helped set.
- B. Organizational goals must not be communicated to lower level employees.
- C. Top managers know what is best because they see the "big picture."
- D. Organizational goals must not be broken down into individual goals.

Answer: C

29) Which of the following is one of the problems associated with traditional goal setting?

- A. Top level managers tend to define the organization's goals in very narrow terms.
- B. Transition of strategic goals into departmental, team, and individual goals is difficult.
- C. It can result in the formation of a means-ends chain.

D. Goals set are invariably easily accomplished.

Answer: B

- 30) A problem associated with traditional goal setting is that \_\_\_\_\_.
- A. the narrowly defined goals inhibit a manager's ability to interpret them
  - B. the high degree of reliance on employees for developing goals is not suited to many situations
  - C. clarity is lost as the goals make their way down from the top of the organization to lower levels
  - D. it promotes the growth of a flatter organizational structure and threatens organizational efficiency

Answer: C

- 31) Which of the following statements is true of traditional goal setting?
- A. Traditional goal setting assumes that employees know best and employs a bottom-up approach of setting organizational goals.
  - B. Evaluation of performance is carried out concurrently with the flow of goals through the organization.
  - C. Goals defined narrowly by top managers need to be made more directional as they flow down through the organization.
  - D. Managers at each level define goals and apply their own interpretations and biases as they make them more specific.

Answer: D

- 32) A \_\_\_\_\_ is an integrated network of goals in which the accomplishment of goals at one level serves as the means for achieving the goals, or ends, at the next level.
- A. reverse pyramid
  - B. means-ends chain
  - C. bottom-up ladder

D. process sequence

Answer: B

33) Which of the following is the first step in MBO?

- A. The organization's overall objectives and strategies are formulated.
- B. Unit managers collaboratively set specific objectives for their units with their managers.
- C. Action plans are specified and agreed upon by managers and employees.
- D. Major objectives are allocated among divisional and departmental units.

Answer: A

34) Which of the following is the last step in MBO?

- A. Progress toward objectives is periodically reviewed, and feedback is provided.
- B. The organization's overall objectives and strategies are formulated.
- C. Successful achievement of objectives is reinforced by performance-based rewards.
- D. Action plans are implemented.

Answer: A

35) \_\_\_\_\_ is a process of setting mutually-agreed upon goals and using those goals to evaluate employee performance.

- A. Management by objectives
- B. Traditional goal setting
- C. Management by observation
- D. Management by exception

Answer: A

36) Which of the following is one of the elements of a management by objectives (MBO) program?

- A. absence of a time frame
- B. participative decision making
- C. directional goals
- D. absence of control measures

Answer: B

37) Which of the following is one of the elements of a management by objectives (MBO) program?

- A. directional nature of goals
- B. performance feedback
- C. indefinite time periods
- D. a top-down decision-making approach

Answer: B

38) Which of the following reflects the way goals are set in an MBO program?

- A. Goals are not used to measure and control employee performance.
- B. Goals tend to be broad and directional to encourage interpretation by individual managers.
- C. Apart from being used to ensure that employees are doing what they are supposed to be doing, goals are used as a motivating tool for employees.
- D. Goals are set by top level managers and lower level employees implement them based upon their interpretation of these goals.

Answer: C

39) Which is the first step managers should follow in goal setting?

- A. evaluating available resources
- B. determining goals individually or with input from others
- C. writing down goals and communicating them to all who need to know
- D. reviewing the organization's mission

Answer: D

- 40) A \_\_\_\_\_ is a broad statement of an organization's purpose that provides an overall guide to what organizational members think is important.
- A. mission
  - B. proposal
  - C. project
  - D. preamble

Answer: A

- 41) Well-written goals are \_\_\_\_\_.
- A. written in terms of actions rather than outcomes
  - B. just of reach
  - C. easily achieved
  - D. clear as to a time frame

Answer: D

- 42) An organization is in the process of goal setting. It has finished reviewing the organization's mission. What should it do next?
- A. determine the goals individually or with input from others
  - B. write down the goals and communicate them to all who need to know
  - C. evaluate available resources
  - D. review results and whether goals are being met

Answer: C

- 43) Which of the following is the last step in goal setting?
- A. review the organization's mission or purpose
  - B. determine the goals individually or with input from others
  - C. write down the goals and communicate them to all who need to know
  - D. review results and whether goals are being met

Answer: D

- 44) When uncertainty is high, plans should be \_\_\_\_\_ and \_\_\_\_\_.
- A. specific; flexible
  - B. directional; standing
  - C. short-term; directional
  - D. general; informal

Answer: A

- 45) The commitment concept says that plans should \_\_\_\_\_.
- A. extend far enough to meet those commitments made when the plans were developed
  - B. be done for as long a time period as possible
  - C. be done for as short a time period as possible
  - D. not commit to specifically meeting the goals made when the plans were developed

Answer: A

- 46) Top executives are mainly involved in \_\_\_\_\_ planning.
- A. functional
  - B. operational
  - C. strategic
  - D. departmental

Answer: C

- 47) \_\_\_\_\_ planning dominates managers' planning efforts at lower levels of the organization.
- A. Strategic
  - B. Organization-wide
  - C. Operational
  - D. Directional



Answer: C

- 48) Which of the following is true of the traditional approach to planning?
- A. Plans are developed by organizational members at the various levels.
  - B. This approach makes managerial planning thorough, systematic, and coordinated.
  - C. Plans created through this method are seldom written down.
  - D. Formal planning departments are rarely used in this approach.

Answer: B

- 49) When is the traditional top-down approach to planning most likely to be effective?
- A. when lower level employees develop plans
  - B. when the plans focus on developing a large number of plans and carefully documenting them
  - C. when the management avoids the use of a formal planning department
  - D. when plans are developed that can actually be used by organizational members

Answer: D

- 50) How can managers effectively plan when the external environment is continually changing?
- A. They should discontinue formal planning.
  - B. They should set general, but rigid plans.
  - C. They should be ready to change directions if environmental conditions warrant.
  - D. They should continue to follow the set organizational plans as persistence will eventually pay.

Answer: C

- 51) Which of the following statements is true of planning in dynamic environments?
- A. Organizations should follow a pyramidal structure when operating in uncertain environments.
  - B. Organizations must discontinue formal planning in such a scenario.
  - C. To be useful in a dynamic environment, plans need to be specific and unchanging.
  - D. Flatter organizational hierarchies are necessary for planning in uncertain environments.

Answer: D

- 52) A manager's analysis of the external environment can be improved by \_\_\_\_\_, which involves screening information to detect emerging trends.
- A. environmental scanning
  - B. environmental activism
  - C. critical path analysis
  - D. value screening

Answer: A

- 53) \_\_\_\_\_ refers to gathering information about competitors that allows managers to anticipate competitors' actions rather than merely react to them.
- A. Due diligence
  - B. Competitor intelligence
  - C. Data aggregation
  - D. Value analysis

Answer: B

- 54) Which of the following is true of competitor intelligence as a means of environmental scanning?

- A. The Economic Espionage Act makes it a crime in the United States to engage in competitor intelligence.
- B. It is unethical to use competitor intelligence to make strategic business decisions.
- C. Competitor intelligence is ethical if competitor-related information is collected from sources accessible and available to the public.
- D. Buying competitors' products and asking their own employees to evaluate them to learn about new technical innovations is an example of the unethical practices followed in competitor intelligence.

Answer: C