## Chapter 01

## Strategic Management

**Multiple Choice Questions**

1.*(p. 3)* Which of the following is an element of a firm's remote external environment?   
A. Competition  
B. Suppliers  
C. Government agencies  
**D.** Economic and social conditions

*Difficulty: Easy  
Learning Objective: 1*

2.*(p. 3)* Which of the following is NOT a part of a firm's immediate external environment?   
**A.** Technological development  
B. Competitors  
C. Suppliers  
D. Government agencies

*Difficulty: Easy  
Learning Objective: 1*

3.*(p. 3)* The immediate external environment includes:   
**A.** Competitors  
B. S. B. U. s  
C. Divisions  
D. Management

*Difficulty: Easy  
Learning Objective: 1*

4.*(p. 3)* The \_\_\_\_\_\_\_ comprises economic and social conditions, political priorities and technological developments, all of which must be anticipated, monitored, assessed and incorporated into the executive's decision making.   
**A.** Remote external environment  
B. Task environment  
C. Operating environment  
D. Internal environment

*Difficulty: Easy  
Learning Objective: 1*

5.*(p. 3)* The set of decisions and actions resulting in the formulation and implementation of plans designed to achieve a company's objectives is defined as:   
A. Strategic policy  
B. Business policy  
**C.** Strategic management  
D. Tactics

*Difficulty: Medium  
Learning Objective: 2*

6.*(p. 3)* Strategic management compromises nine critical tasks. Which of the following is NOT one of the tasks?   
**A.** Development of annual objectives compatible with grand strategies  
B. Assessment of the company's external environment  
C. Selection of a particular set of long-term objectives and grand strategies  
D. Evaluate the success of the strategic process

*Difficulty: Medium  
Learning Objective: 2*

7.*(p. 4)* Strategic management involves the \_\_\_\_\_, directing, \_\_\_\_\_ and controlling of a company's strategy-related decisions and actions.   
A. Financing; marketing  
B. Planning; financing  
C. Marketing; planning  
**D.** Planning; organizing

*Difficulty: Medium  
Learning Objective: 2*

8.*(p.4)* Large-scale, future-oriented plans, for interacting with the competitive environment to achieve company objectives refers to its   
**A.** Strategy  
B. Goals  
C. Competitive analysis  
D. Dynamic policies

*Difficulty: Easy  
Learning Objective: 2*

9.*(p. 4)* A strategy is a company's   
**A.** Game plan  
B. Pricing policy  
C. Value statement  
D. Long-term objective

*Difficulty: Easy  
Learning Objective: 2*

10.*(p. 4)* A \_\_\_\_\_is a company's game plan.  
**A.** Strategy  
B. Pricing policy  
C. Value statement  
D. Long-term objective

*Difficulty: Easy  
Learning Objective: 2*

11.*(p. 4)* A(n) \_\_\_\_\_ reflects a company's awareness of how, when and where is should compete, against whom it should compete and for what purpose it should compete.   
A. Vision  
B. Organizational structure  
**C.** Strategy  
D. Long-term objective

*Difficulty: Medium  
Learning Objective: 2*

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

*Difficulty: Medium  
Learning Objective: 2*

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

*Difficulty: Easy  
Learning Objective: 2*

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

*Difficulty: Medium  
Learning Objective: 2*

15.*(p. 5)* Strategic issues require large amounts of the company’s  
A. strengths  
B. opportunities  
C. suppliers  
**D.** resources

*Difficulty: Medium  
Learning Objective: 2*

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

*Difficulty: Medium  
Learning Objective: 3*

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

*Difficulty: Easy  
Learning Objective: 3*

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

*Difficulty: Hard  
Learning Objective: 3*

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

*Difficulty: Hard  
Learning Objective: 3*

20.*(p. 5)* All businesses exist in a(n) \_\_\_\_\_ system.  
**A.** open  
B. closed  
C. insular  
D. protected

*Difficulty: Hard  
Learning Objective: 3*

21.*(p. 5)* In a turbulent and competitive free enterprise environment, a firm will succeed only if it takes a(n) \_\_\_\_ stance towards change.   
A. Reactive  
B. Anti-regulatory or anti-government  
**C.** Proactive  
D. Vision and not mission

*Difficulty: Medium  
Learning Objective: 3*

22.*(p. 6)* General Electric is a multi-business company. It typically would have \_\_\_\_ levels of strategy.   
A. 5 or more  
B. 4  
**C.** 3  
D. 2

*Difficulty: Easy  
Learning Objective: 4*

23.*(p. 6)* Which level of strategy uses a portfolio approach?  
A. Business  
B. Operational  
**C.** Corporate  
D. Functional

*Difficulty: Easy  
Learning Objective: 4*

24.*(p. 6)* Which level of strategy is in the middle of the decision-making hierarchy?  
A. Corporate  
B. Functional  
**C.** Business  
D. Strategic

*Difficulty: Easy  
Learning Objective: 4*

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

*Difficulty: Easy  
Learning Objective: 4*

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

*Difficulty: Easy  
Learning Objective: 4*

27.*(p. 6)* Typically how many strategic decision levels are in the corporate decision-making hierarchy?   
A. 5 or more  
B. 4  
**C.** 3  
D. 2

*Difficulty: Easy  
Learning Objective: 4*

28.*(p. 6)* To a large extent, attitudes at the corporate level reflect the concerns of   
**A.** Stockholders and society at large  
B. Top managers  
C. The CEO  
D. The federal government

*Difficulty: Medium  
Learning Objective: 4*

29.*(p. 6)* The top of the decision-making hierarchy comprises all of these EXCEPT   
A. Board of directors  
**B.** Front-line managers  
C. The CEO  
D. Administrative officers

*Difficulty: Easy  
Learning Objective: 4*

30.*(p. 6)* In a multi-business firm, \_\_\_\_\_\_ -level executives determine the businesses in which the firm should be involved.   
A. Business  
B. Functional  
**C.** Corporate  
D. Operative

*Difficulty: Medium  
Learning Objective: 4*

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

*Difficulty: Hard  
Learning Objective: 4*

32.*(p. 6)* In the middle of the decision-making hierarchy is the \_\_\_\_\_ level.   
A. Corporate  
B. Functional  
**C.** Business  
D. Strategic

*Difficulty: Medium  
Learning Objective: 4*

33.*(p. 6)* Who determines the basis on which a company can compete in the selected product-market arena?   
A. Functional-level strategic managers  
B. Corporate-level strategic managers  
**C.** Business-level strategic managers  
D. Operational managers supervising operative

*Difficulty: Medium  
Learning Objective: 4*

34.*(p. 6)* Which of these managers tries to identify and secure the most profitable and promising market segment?   
A. Functional managers  
B. Corporate managers  
**C.** Business managers  
D. Operative

*Difficulty: Medium  
Learning Objective: 4*

35.*(p. 6)* The functional level of decision making is characterized by:   
A. The board of directors deriving corporate goals  
**B.** Managers of product, geographic and functional areas  
C. The CEO developing a company profile  
D. Business managers interpreting the mission into operational objectives

*Difficulty: Medium  
Learning Objective: 4*

36.*(p. 6)* Which strategic level is typically responsible for developing annual objectives and short-term strategies?   
**A.** Functional level  
B. Corporate level  
C. Business level  
D. Board of Directors level

*Difficulty: Medium  
Learning Objective: 4*

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

*Difficulty: Medium  
Learning Objective: 4*

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

*Difficulty: Medium  
Learning Objective: 4*

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

*Difficulty: Hard  
Learning Objective: 4*

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

*Difficulty: Medium  
Learning Objective: 4*

41.*(p. 8)* Dividend policies are decided at the   
**A.** Corporate level  
B. Business level  
C. Functional level  
D. Operational level

*Difficulty: Medium  
Learning Objective: 4*

42.*(p. 8)* Which level of decisions encompasses greater risk, cost and profit potential?   
A. Business  
B. Lower echelon  
**C.** Corporate  
D. Functional

*Difficulty: Medium  
Learning Objective: 4*

43.*(p. 8)* Corporate-level decisions are characterized by:   
A. Decreased risk  
B. Doing things right  
C. Short-time horizons  
**D.** Greater profit

*Difficulty: Hard  
Learning Objective: 4*

44.*(p. 8)* Decisions concerning plant location, distribution channels, geographic coverage and market segmentation are typically made at:   
A. The corporate level  
**B.** The business level  
C. The functional level  
D. The front-line operational level

*Difficulty: Medium  
Learning Objective: 4*

45.*(p. 8)* The degree to which participation, responsibility, authority and discretion in decision-making are specified is called:   
A. Informality  
**B.** Formality  
C. Functional tactic  
D. Dynamic mode

*Difficulty: Medium  
Learning Objective: 4*

46.*(p. 8)* Which one of these forces DOES NOT determine how much formality is needed in strategic management?   
A. Size  
**B.** Country of origin  
C. Complexity of environment  
D. Predominant management style

*Difficulty: Medium  
Learning Objective: 4*

47.*(p. 8)* Which of these is usually positively correlated with the cost, comprehensiveness, accuracy and success of planning?   
**A.** Greater formality  
B. Functional structure  
C. Organizational matrix  
D. Functional tactics

*Difficulty: Medium  
Learning Objective: 4*

48.*(p. 9)* According to Henry Mintzberg, there are \_\_\_\_ modes based upon formality in strategic management.  
A. 4  
B. 2  
C. 5  
**D.** 3

*Difficulty: Medium  
Learning Objective: 4*

49.*(p. 9)* According to Henry Mintzberg, very large firms typically use the \_\_\_\_\_ mode of strategic management.   
A. Adaptive  
B. Entrepreneurial  
C. Informal  
**D.** Planning

*Difficulty: Medium  
Learning Objective: 4*

50.*(p. 9)* Henry Mintzberg identified a mode which he associates with medium-sized firms in relatively stable environments. This is referred to as a(n) \_\_\_\_ mode.   
A. Entrepreneurial  
**B.** Adaptive  
C. Business  
D. Planning

*Difficulty: Medium  
Learning Objective: 4*

51.*(p. 9)* Firms that are basically under the control of a single individual and produce a limited number of products/services are referred to as following \_\_\_\_\_\_ mode.   
**A.** Entrepreneurial  
B. Intrapreneurial  
C. Managerial  
D. Corporate

*Difficulty: Medium  
Learning Objective: 4*

52.*(p. 9)* The informal, intuitive and limited approach to strategic management associated with owner-managers of smaller firm refers to the \_\_\_\_ mode of formality, according to Mintzberg.   
**A.** Entrepreneurial  
B. Functional  
C. Planning  
D. Adaptive

*Difficulty: Easy  
Learning Objective: 4*

53.*(p. 9)* The planning mode refers to the   
**A.** Strategic formality associated with the large firms that operate under a comprehensive, formal planning system  
B. Strategic formality associated with medium-sized firms that emphasize the incremental modification of existing competitive approaches  
C. Strategic formality associated with global firms that emphasize cultural value systems  
D. Informal, intuitive and limited approach to strategic management with owner-manager of smaller firms

*Difficulty: Medium  
Learning Objective: 4*

54.*(p. 9)* According to Mintzberg, the adaptive mode refers to   
A. Strategic formality associated with the large firms that operate under a comprehensive, formal planning system  
**B.** Strategic formality associated with medium-sized firms that emphasize the incremental modification of existing competitive approaches  
C. Strategic formality associated with global firms that emphasize cultural value systems  
D. Informal, intuitive and limited approach to strategic management with owner-manager of smaller firms

*Difficulty: Medium  
Learning Objective: 4*

55.*(p. 9)* Which of these is NOT a mode of formality identified by Mintzberg?   
A. Adaptive  
B. Planning  
**C.** Functional  
D. Entrepreneurial

*Difficulty: Easy  
Learning Objective: 4*

56.*(p. 9)* The ideal strategic management team includes decision makers from   
**A.** All three company levels (corporate, business and functional)  
B. Just the functional level since they are closest to the customers  
C. Just the corporate and business levels given that they focus on doing the right thing  
D. Just the top management since they understand the big picture

*Difficulty: Medium  
Learning Objective: 4*

57.*(p. 9)* Managers at the \_\_\_\_\_ level typically have principal responsibilities for developing environmental analysis and forecasting, establishing business objectives and developing business plans prepared by staff groups.   
A. Corporate  
B. Functional  
C. Operational  
**D.** Business

*Difficulty: Medium  
Learning Objective: 4*

58.*(p. 9)* When the dominance of the CEO approaches autocracy, the effectiveness of the form's strategic planning and management processes are likely to:   
A. Enhance strategic planning but diminish its processes  
B. Be greatly enhanced  
C. Have no effect  
**D.** Be diminished

*Difficulty: Medium  
Learning Objective: 5*

59.*(p. 10)* Which of these is NOT true about the behavioral effect of strategic management?   
A. Strategy formulation activities enhance the firm's ability to prevent problems  
B. Resistance to change is reduced  
**C.** Gaps and overlaps in activities among individuals and groups are increased to ensure the checks and balance  
D. The employee involvement is strategy formulation improves their understanding of the productivity reward relationship in every strategy plan

*Difficulty: Hard  
Learning Objective: 5*

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

*Difficulty: Hard  
Learning Objective: 5*

61.*(p. 10)* Which of the following is a major function of the strategic management model?   
A. It helps make profits for the firm  
B. It helps in identifying key issues faced by the firm  
C. It helps in deciding which products to sell  
**D.** It depicts the sequence and relationships of the major components of the strategic management process

*Difficulty: Medium  
Learning Objective: 5*

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

*Difficulty: Medium  
Learning Objective: 5*

63.*(p. 12)* Analysis of the quantity and quality of the company's financial, human and physical resources is a part of   
**A.** Internal analysis  
B. Mission statement  
C. External environment analysis  
D. Corporate goals

*Difficulty: Easy  
Learning Objective: 5*

64.*(p. 12)* The external environment consists of:   
**A.** The operating environment  
B. Managers  
C. Employees  
D. Owners

*Difficulty: Easy  
Learning Objective: 5*

65.*(p. 12)* Which one of the following is NOT an interactive segment of a firm's external environment?   
**A.** Functional  
B. Remote  
C. Industry  
D. Operating

*Difficulty: Medium  
Learning Objective: 5*

66.*(p. 11)* Description of the company's product, market and technological areas of emphasis is contained in the   
A. Assessment of the external environment  
B. Company profile  
**C.** Company mission  
D. Interactive opportunity analysis

*Difficulty: Easy  
Learning Objective: 5*

67.*(p. 12)* The results that an organization seeks over a multiyear period are its   
A. Generic strategies  
B. Grand strategies  
C. Mission statements  
**D.** Long-term objectives

*Difficulty: Easy  
Learning Objective: 5*

68.*(p. 12)* The doubling of EPS within 5 years with increases in each intervening year is called a(n):   
A. Long-term goal  
**B.** Long-term objective  
C. Short-term goal  
D. Short-term objective

*Difficulty: Hard  
Learning Objective: 5*

69.*(p. 12-13)* The difference between long-term and short-term objectives is principally:   
A. Greater attainability  
B. Greater flexibility  
C. Greater measurability  
**D.** Greater specificity

*Difficulty: Hard  
Learning Objective: 5*

70.*(p. 13)* Grand strategies include:   
A. Market turnaround  
B. Vertical diversification  
C. Conglomerate integration  
**D.** Concentric diversification

*Difficulty: Medium  
Learning Objective: 5*

71.*(p. 13)* Which of the following is an example of a grand strategy?   
A. Decentralization  
B. Policy making  
C. Conglomerate integration  
**D.** Innovation

*Difficulty: Hard  
Learning Objective: 5*

72.*(p. 12)* Long-term objectives are principally attained through:   
A. Annual goals  
B. Functional strategies  
C. Short-term goals  
**D.** Grand strategy

*Difficulty: Hard  
Learning Objective: 5*

73.*(p. 14)* The minimum equity position required for all new McDonald's franchises is an example of:   
A. A goal  
B. A procedure  
**C.** A policy  
D. An objective

*Difficulty: Medium  
Learning Objective: 5*

74.*(p. 12)* The general plan of major actions through which a firm intends to achieve is long-term objectives is called its:   
A. Corporate plan  
B. Long-term goal  
**C.** Grand strategy  
D. Mission

*Difficulty: Easy  
Learning Objective: 5*

75.*(p. 14)* Broad, precedent-setting decisions that guide or substitute for repetitive or time-sensitive managerial decision making are called   
A. Goals  
B. Strategies  
C. Objectives  
**D.** Policies

*Difficulty: Easy  
Learning Objective: 5*

76.*(p. 12)* Which of the following is a generic strategy option?   
A. Narrow margins  
B. Diversification  
**C.** Differentiation  
D. Retrenchment

*Difficulty: Medium  
Learning Objective: 5*

77.*(p. 13)* Horizontal integration is an example of a   
A. Generic strategy  
**B.** Grand strategy  
C. Functional level strategy  
D. SBU strategy

*Difficulty: Hard  
Learning Objective: 5*

78.*(p. 14)* Specific actions that need to be undertaken to achieve short-term objectives, usually by functional areas, refers to   
A. Policies  
B. Formality  
**C.** Tactics  
D. Process

*Difficulty: Easy  
Learning Objective: 5*

79.*(p. 14)* Which of these refers to short-term, narrow scoped plans that detail "means" or activities that a company will use to achieve short-term projects?   
A. Policies  
B. Formality  
C. Vision  
**D.** Functional tactics

*Difficulty: Easy  
Learning Objective: 5*

80.*(p. 14)* \_\_\_\_\_ is a critical stage in strategy implementation wherein managers attempt to recast their organization.   
A. Continuous improvement  
**B.** Reengineering  
C. Strategic control  
D. Strategy formulation

*Difficulty: Medium  
Learning Objective: 5*

81.*(p. 15)* \_\_\_\_\_ is concerned with tracking a strategy as it is being implemented, detecting problems or changes in its underlying premises and making necessary adjustments.   
A. Restructuring strategy  
**B.** Strategic control  
C. Internal analysis  
D. Functional tactics

*Difficulty: Easy  
Learning Objective: 5*

82.*(p. 15)* Which of these is a form of strategic control in which managers are encouraged to be proactive in improving all operations of the firm?   
**A.** Continuous improvement  
B. Adaptive mode  
C. Functional tactics  
D. Planning mode

*Difficulty: Easy  
Learning Objective: 5*

83.*(p. 15)* A flow of information through interrelated stages of analysis toward achievement of an aim is:   
**A.** A process  
B. A procedure  
C. A policy  
D. A system

*Difficulty: Easy  
Learning Objective: 5*

84.*(p. 15)* Influential individuals and groups that are vitally interested in the actions of the business are called   
A. Stockholders  
**B.** Stakeholders  
C. Strategists  
D. Customers

*Difficulty: Easy  
Learning Objective: 5*

85.*(p. 15)* Strategic formulation and implementation of a plan are:   
**A.** Sequential  
B. Simultaneous  
C. Random  
D. Reversible

*Difficulty: Medium  
Learning Objective: 5*

86.*(p. 17)* Strategic management processes need which of the following to enhance future decision making?   
A. Testing  
**B.** Feedback  
C. Discontinuity  
D. Projecting

*Difficulty: Hard  
Learning Objective: 5*

87.*(p. 17)* The strategy management process is:   
A. Stationary  
**B.** Dynamic  
C. Static  
D. Radical

*Difficulty: Hard  
Learning Objective: 6*

**Essay Questions**

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

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

*Learning Objective: 1*

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

Please refer to the discussion on "Dimensions of Strategic Decisions" on pages 4-6.

*Learning Objective: 2*

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

Please refer to the discussion on "Three levels of Strategy" on pages 6-7.

*Learning Objective: 4*

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

Please refer to Exhibit 1.4 on page 7.

*Learning Objective: 4*

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

Please refer to the discussion in the section titled “Characteristics of Strategic Management Decisions” on pages 7-8.

*Learning Objective: 4*

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

Please refer to the discussion in the section “Formality in Strategic Management” on page 8.

*Learning Objective: 4*

94. Describe the three different modes of formality, according to Mintzberg?

Please refer to discussion on "Formality in Strategic Management" on pages 8-9.

*Learning Objective: 4*

95. Who are the strategy makers in an organization?

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

*Learning Objective: 4*

96. Discuss the benefits of strategic management?

Please refer to the discussion on "Benefits of Strategic Management" on page 10.

*Learning Objective: 5*

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

Please refer to the discussion on "Components of the Strategic management Model" on pages 11-15.

*Learning Objective: 5*

98. Differentiate between generic and grand strategies?

Please refer to the discussion on "Generic and Grand Strategies" on pages 12-13.

*Learning Objective: 5*

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

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

*Learning Objective: 5*

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

Please refer to the discussion on "Strategic Management as a Process" on page 15-16.

*Learning Objective: 6*