

Chapter Three: Foundations of Planning

True/False

1. Planning is concerned with the ends (what is to be done) but rarely with the means (how it is to be done).
2. Without planning, there can be no effective control.
3. Tactical plans form a basis for strategic plans.
4. Directional plans provide focus, but do not lock managers into specific objectives or specific courses of action.
5. MBO uses goals to control employees.
6. The appeal of MBO lies in its emphasis on converting overall objectives into specific objectives for organizational units and individual members.
7. SWOT stands for strengths, weaknesses, opportunities, and threats. The S and W refer to the strengths and weaknesses of the current and future economy.
8. The four grand strategies available to most organizations are growth, stability, retrenchment, and niche strategies.
9. Porter's three competitive strategies are cost-leadership, price-leadership, and niche.
10. The firm that seeks to be unique in its industry in ways that are widely valued by buyers is following a differentiation strategy.

Multiple Choice

1. Which of the following is not included in the definition of planning?
 - a. Define the organization's objectives or goals.
 - b. Establish an overall strategy for achieving these objectives or goals.
 - c. Allocate resources and develop a chain of communication.
 - d. Develop a hierarchy of plans to integrate and coordinate activities.
2. Which of the following is not a reason for planning?
 - a. provides direction
 - b. reduces the impact of change
 - c. maximizes waste and redundancy
 - d. sets standards to facilitate control
3. Which of the following is an argument against formal planning?
 - a. Planning focuses on the future.
 - b. Planning may create rigidity.
 - c. Planning replaces creativity.
 - d. Planning ignores prior successes.
4. Plans that apply to the entire organization, establish the organization's overall objectives, and seek to position the organization in terms of its environment are called _____ plans.
 - a. operational
 - b. tactical
 - c. strategic
 - d. single-use
5. A system whereby performance objectives are jointly determined by subordinates and their superiors, reviewed by progress, and allocated by rewards is known as
 - a. a standing plan.

- b. a strategic plan.
 - c. MBO.
 - d. MBWA.
6. Which of the following would be an appropriate statement for an MBO objective?
 - a. improve productivity
 - b. increase sales
 - c. improve training
 - d. decrease waste by 6% over the next six months
 7. Who determines employee goals in MBO?
 - a. employees
 - b. managers
 - c. managers and employees
 - d. managers and the CEO
 8. The purpose of Kerry's Klowns is to "provide healthy entertainment that makes school-age children laugh." The quote could be described as which of the following?
 - a. strategic plan
 - b. mission
 - c. strategic purpose
 - d. tactical objective
 9. Determining the nature of one's business is important for which of the following not-for-profit organizations?
 - a. hospitals
 - b. government agencies
 - c. colleges
 - d. all of the above
 10. After analyzing and learning about the environment, management needs to evaluate opportunities and threats. Opportunities are
 - a. internal resources.
 - b. unmet needs.
 - c. positive external environmental factors.
 - d. internal competitive strategies.
 11. A company that is assessing its capital, worker skills, marketing, accounting, and patents is analyzing which of the following?
 - a. strengths
 - b. weaknesses
 - c. opportunities
 - d. threats
 12. Sam's Company is focusing on increasing the size of the company and hiring more employees. Which of the following strategies is Sam's Company pursuing?
 - a. growth
 - b. stability
 - c. retrenchment
 - d. combination

13. Larry's Company is in the process of buying a smaller competitor and incorporating that company's resources into his business. This is an example of which of the following types of strategies?
 - a. merger
 - b. stability
 - c. retrenchment
 - d. acquisition
14. Stacy's Company continues to offer the same quality beauty products it has for the last 10 years. The company is successful and has no current plans for change. Which of the following types of strategies is it employing?
 - a. growth
 - b. stability
 - c. retrenchment
 - d. combination
15. Harry's Company apparently has overgrown its market. It can no longer compete successfully due to its size and formalization. Thus it is reducing its size in order to once again become competitive. This is known as which of the following strategies?
 - a. growth
 - b. stability
 - c. retrenchment
 - d. combination
16. Susan's Ceramics is expanding the size of its unfinished products while decreasing the amount of firing and finishing of products it does. This is known as which of the following strategies?
 - a. growth
 - b. stability
 - c. retrenchment
 - d. combination
17. A large discount store, like Wal-Mart, whose primary goal is to have the lowest prices in the industry, is using which of the following strategies to maintain a competitive advantage?
 - a. cost-leadership strategy
 - b. differentiation strategy
 - c. focus strategy
 - d. retrenchment strategy
18. A candy store that places its expensive chocolates only in fine hotels and restaurants frequented by the very rich is using which of the following competitive advantage strategies?
 - a. cost-leadership strategy
 - b. differentiation strategy
 - c. focus strategy
 - d. retrenchment strategy

Scenario-Based Questions

Application of SWOT Analysis

Terry had been told to reexamine the strategic niche their company held in the cosmetic industry. Top management did not want the company caught unaware of any changes occurring. Terry

began reviewing a list of factors in his mind. There had been some negative publicity lately due to cosmetic testing on animals. The animals were well-treated, but they were used to test new products. Positively, sales industry-wide were up 10%. Women were buying more cosmetics in general, which was nothing but good for the company. Another positive factor was their personnel. They had good people working in the company, particularly in research and development. The only other negative Terry could find was that the advertising campaign that was begun last year had not shown the results they had hoped for. Something needed to be done in that department. Terry began to compile his report.

1. Which analysis would assist Terry to identify a strategic niche that the company could exploit?
 - a. SWOT analysis
 - b. MBO
 - c. MBWA
 - d. SWAT analysis
2. The negative publicity due to the testing of cosmetics on animals would be classified as which of the following?
 - a. weakness
 - b. strength
 - c. threat
 - d. opportunity
3. The fact that sales are up 10% industry-wide because women were buying more cosmetics would be which of the following?
 - a. weakness
 - b. strength
 - c. threat
 - d. opportunity
4. The quality of the company's personnel would be classified as which of the following?
 - a. weakness
 - b. strength
 - c. threat
 - d. opportunity
5. The failure of the advertising campaign would be classified as which of the following?
 - a. weakness
 - b. strength
 - c. threat
 - d. opportunity