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Chapter 02

Strategic Leadership: Managing the Strategy Process

Multiple Choice Questions

- 1 The Chief Executive Officer (CEO) of PepsiCo, Indra Nooyi, subscribes to a triple-bottom-line approach to competitive advantage—considering not only economic, but also social and environmental performance. Identify the phrase that represents the vision of PepsiCo as described by Ms. Nooyi.

A. Human sustainability
B. Environmental sustainability
C. The whole person at work
D. Performance with a Purpose
- 2 The Chief Executive Officer (CEO) of PepsiCo, Indra Nooyi, subscribes to a triple-bottom-line

approach to competitive advantage—considering not only economic, but also social and environmental performance. Based on this, which of the following is a mission of PepsiCo?

- A. Including healthy choices in its lineup
- B. Performing with a purpose
- C. Focusing on only the nonalcoholic beverages line of business

D. Splitting PepsiCo into two standalone companies each focusing on beverages and snack foods respectively

- 3 The first step in the strategic management process is to:
- A. define a firm's vision, mission, and values.
 - B. understand the strategies of the competitors.
 - C. put the guiding policies of a firm into practice.
 - D. develop functional and business level strategies.
- 4 Strategic leadership pertains to the use of power and influence by _____ to direct the activities of others when pursuing an organization's goals.
- A. production workers
 - B. lower-level managers
 - C. external stakeholders
 - D. corporate executives
- 5 Orange Synergy Inc. is a company that manufactures a variety of products that run on solar power. The company wants to ensure that solar technology replaces all forms of exhaustible energy sources in the near future. Which of the following statements will make an accurate vision for Orange Synergy?
- A. We make products that run on solar energy.
 - B. All nations around the globe should have access to a sustainable energy source.
 - C. The company aims to make working fun and pleasurable for its employees.
 - D. We provide energy-efficient sources and services by investing in research and innovation.

6. True Help is a non-profit organization that works toward rehabilitating the homeless. The credo of the organization is "help us help you." For an organization like True Help, which of the following statements would make an appropriate mission?

- A. Help us help you find a home.
- B. One day, everyone in this nation will have a home to protect themselves.
- C. We help the homeless gain and sustain financial independence by providing employment opportunities.
- D. Our mission is to turn this not-for-profit organization into a for-profit organization so that the stakeholders are benefited.

7. Strategic commitments are actions that are:

- A. inexpensive.
- B. long-term oriented.
- C. easy to reverse.
- D. easy to imitate.

8. Visionary companies are able to outperform their competitors because:

- A. their vision statements are more product-oriented.
- B. they provide more aspirational visions.
- C. their visions are exclusively financial.
- D. they isolate internal stakeholders in defining their visions.

9. To be effective, firms need to:

- A. back up their visions with strategic commitments that are costly and difficult to reverse.
- B. increase their strategic flexibility by developing product-oriented vision statements.
- C. isolate top managers from the organizational values.
- D. pursue visions that are exclusively financial and not aspirational.

1. Which of the following statements about product-oriented visions is true?
- A. They tend to force managers to take a myopic view of the landscape.
 - B. They allow companies to effectively adapt to changing environments.
 - C. They define a business in terms of providing solutions to customers.
 - D. They allow firms to take a need-based approach to their goals.
1. Cuisine Pro Inc. is a company that manufactures consumer electronics like refrigerators, washing machines, and dishwashers. Which of the following best illustrates a product-oriented vision for Cuisine Pro?
- A. To make people's life simple and easy
 - B. To allow everyone to have the luxury of domestic technology
 - C. To help people save time and energy spent on household chores
 - D. To be the pioneering manufacturer of home and kitchen appliances
2. Which of the following statements is true of customer-oriented visions?
- A. Customer-oriented visions identify how a customer need will be met.
 - B. Customer-oriented vision statements are not the same as listening to your customer.
 - C. Customer-oriented visions reduce a company's ability to adapt to a changing environment.
 - D. Customer-oriented visions define a business in terms of goods or services provided.
3. Which of the following is a customer-oriented vision?
- A. To be the most progressive insurance company
 - B. To be the best automobile company in the world
 - C. To enable people throughout the globe to identify their capabilities
 - D. To manufacture innovative products through continuous learning

14. Pioneer Pharma Inc. and GH Medicines Corp. are two competing firms in the pharmaceutical industry. While Pioneer Pharma Inc.'s vision is "to be a preeminent drug manufacturer in the industry," GH Medicines Corp.'s vision is "to make good health a reality for everyone around the world." Which of the following is an implication of these different visions?
- A. GH Medicines's vision is more product-oriented than the vision of Pioneer Pharma.
 - B. Pioneer Pharma is more likely to have a positive relationship between its vision and firm performance than GH Medicines.
 - C. Pioneer Pharma's vision is more long-term and futuristic than GH Medicines's vision.
 - D. GH Medicines will be more flexible than Pioneer Pharma when adapting to changing environments.
15. A positive relationship between vision statements and firm performance is more likely to exist when:
- A. visions are product-oriented.
 - B. internal stakeholders are isolated from defining and revising the visions.
 - C. organizational structures are aligned with the firm's vision statement.
 - D. vision statements are equivalent to listening to the customers.
16. _____ are best described as the ethical standards and norms that govern the behavior of individuals within a firm.
- A. Job descriptions
 - B. Customs duties
 - C. Corrective controls
 - D. Organizational values

7. Organizational values are the _____ that govern the behavior of individuals within a firm or organization.
- A. economic measures
 - B. ethical standards and norms
 - C. political principles and policies
 - D. social beliefs and actions
8. When do employees fail to adopt the organizational values of a firm?
- A. When the internal stakeholders of the firm are involved in designing the values
 - B. When the top managers in the firm are merely paying lip service to the firm's stated values
 - C. When the strategic leaders in the firm propagate and exhibit the same values
 - D. When the organizational structure, such as its strategic decision making, is aligned with its values
9. Organizational values help individuals make choices that are:
- A. legal but unethical.
 - B. both illegal.
 - C. both ethical and effective in advancing a company's goals.
 - D. ethical but ineffective in achieving long-term success.

20. As the CEO of a conglomerate, Juana Mark exhibited her strong commitment toward the company's core value that customer's well-being is more important than profit when she decided to liquidate the company's tobacco subsidiary. The tobacco brand sold by her company was a major revenue earner in lesser-developed nations. However, Juana believed that her company had to be responsible toward the society. In this scenario, Juana has demonstrated _____.
- A. strategic leadership
 - B. intrapreneurship
 - C. Machiavellianism
 - D. individualism
21. The pharmaceutical company Merck's new drug Vioxx was a blockbuster, generating revenues of \$2.5 billion a year by 2002 and growing fast. When allegations began to appear in the medical community, Merck announced the voluntary withdrawal of Vioxx from the market. In this example, Merck provides an example of what can happen if a company deviates from its _____.
- A. voluntary responsibilities
 - B. realized strategy
 - C. core values
 - D. strategic decisions
22. There is a conceptual framework that views organizational outcomes—strategic choices and performance levels—as reflections of the values of the members of the top management team, who interpret situations through the lens of their unique perspectives.
- A. two-factor theory
 - B. expectancy theory
 - C. upper-echelons theory
 - D. value orientation theory

23. According to the upper-echelons theory, the organizational outcomes of a company primarily reflect the values of the_____.
- A. production workers in the company
 - B. CEO of the company
 - C. housekeeping staff in the company
 - D. external stakeholders of the company
24. According to the Level-5 leadership pyramid, a manager in Level 1 typically:
- A. makes productive contributions through motivation, talent, knowledge, and skills.
 - B. works effectively with others to achieve synergies and team objectives.
 - C. presents compelling vision and mission to guide groups toward superior performance.
 - D. builds enduring greatness into the organizations he or she leads.
25. Nathan is part of a sales team. He effectively coordinates his tasks with others in the team and willingly contributes to their efforts in achieving the team's objectives. Thus, Nathan is in _____of the Level-5 leadership pyramid.
- A. Level 5
 - B. Level 4
 - C. Level 3
 - D. Level 2
26. According to the Level-5 leadership pyramid, a manager at Level 3 has acquired the ability to:
- A. organize resources effectively to accomplish predetermined goals.
 - B. build enduring greatness into the organizations he or she leads.
 - C. identify the vision and the mission of the company.
 - D. justify unethical activities as legal and ethical.

27. Richard is a manager. His colleagues and subordinates look up to him as a man who always does the right things. Along with other skills, his ability to effectively organize and deploy resources like manpower, material, and money has been appreciated by his seniors. According to the Level-5 leadership pyramid, which of the following levels would be the immediate next step for Richard?
- A. Level 2
 - B. Level 3
 - C. Level 4
 - D. Level 5
28. Gerald has been an employee with GeoFuture Inc. for 15 years. He started with an entry-level job, and today he is a manager of an entire division. Over the years, Gerald has acquired a reputation for doing the right things in the company. Hence, as an efficient leader, he is capable of effectively communicating and motivating his subordinates to work toward the company's vision and mission. According to the Level-5 leadership pyramid, which is the highest level of leadership Gerald has reached so far?
- A. Level 5
 - B. Level 4
 - C. Level 3
 - D. Level 2
29. According to the Level-5 leadership pyramid, a manager turns into an executive who is capable of building lasting greatness into the organization through a combination of will power and humility when he or she reaches .
- A. Level 5
 - B. Level 3
 - C. Level 2
 - D. Level 1

30. During an assessment of employees and leaders in a company, Ethan Browne was categorized as a Level-5 manager in the Level-5 leadership pyramid. Which of the following can be inferred from this information?
- A. Ethan is currently a team lead in the company.
 - B. Ethan shows no signs of being a good leader.
 - C. Ethan is a top management executive in the company.
 - D. Ethan has just started his career as a member of a team in the company.
31. Which of the following managers in the Level-5 leadership pyramid are most capable of leading their organizations into great success by guiding the organizations toward building a sustainable competitive advantage?
- A. Level 1
 - B. Level 2
 - C. Level 3
 - D. Level 5
32. Which of the following best describes a Level-5 manager in the Level-5 leadership pyramid?
- A. Gina is an employee who just started her career at GL Inc.; she has already been appreciated for her knowledge and skills in the new company.
 - B. Derek is an employee at One Triangle Inc.; he has helped his team achieve their targets by contributing to the team's efforts.
 - C. Harry is part of the marketing team at JB Corp.; he has been given the charge of managing a team of three based on which he will be promoted to a manager's position next month.
 - D. Walter is the CEO of Red Autos Inc.; he has helped his company in gaining and sustaining a competitive advantage through ethical decision making.

33. As a part of strategy formulation, corporate strategy concerns questions relating to:
- A. why we should compete.
 - B. how to compete.
 - C. where to compete.
 - D. how to implement the business strategy.
34. The CEO of True West Products Inc. (TWC) is a company that sells a wide range of products. It has decided to enter the markets of emerging nations like China and Brazil. This means that the cars, consumer electronics, and services such as hotels included under the TWC banner would be made available in these nations. Which of the following strategies does this scenario best illustrate?
- A. Corporate strategy
 - B. Functional strategy
 - C. Business strategy
 - D. Divisional strategy
35. As a part of strategy formulation, a firm's functional strategy primarily concerns questions relating to:
- A. where to compete.
 - B. when to compete.
 - C. how to implement business strategy.
 - D. how to enter target markets.
36. In a large company, who is most responsible for devising the corporate strategy?
- A. The CEO of the company
 - B. The lower-level employees in the company
 - C. The head of the production department in the company
 - D. The human resource manager in the company

37. Which of the following statements is true of corporate strategy?
- A. The objective of corporate-level strategy is to ensure that the sum of the values of individual business units is greater than the overall corporate value.
 - B. A corporate strategy must be able to create synergies across business units that are quite different.
 - C. Formulating a corporate strategy involves general managers answering questions relating to how to compete in order to achieve superior performance.
 - D. Deciding whether to adopt a differentiation or a cost-leadership strategy is part of formulating the corporate strategy.
38. Carrvour Inc. is a company that manufactures steel, cement, cars, and consumer electronics under a single brand. The top management at Carrvour has decided to enter the banking and insurance industry based on its assessment of the profit potential in that industry. Which of the following strategies does this best illustrate?
- A. Corporate strategy
 - B. Business strategy
 - C. Functional strategy
 - D. Divisional strategy
39. Due to political instability in the country of United Mapa, the strategic leaders at the headquarters of FT Supplies Inc. have decided to divest the company's business from the foreign market in United Mapa. This decision would be applicable to all the business units of FT Supplies Inc. operating in United Mapa. Thus, this is a_____.
- A. business strategy
 - B. divisional strategy
 - C. functional strategy
 - D. corporate strategy

40. A(n) _____ is best described as a standalone division of a larger conglomerate, with its own profit-and-loss responsibility.
- A. corporation
 - B. strategic business unit
 - C. affiliate company
 - D. functional department
41. Which of the following best illustrates a strategic business unit (SBU)?
- A. The human resource department of a large company that is responsible for hiring employees for all its divisional branches
 - B. The consumer electronics division of a large company that also manufactures automobiles, apparel, and processed food
 - C. The product development team at the headquarters of a fast-food chain
 - D. The market segment which can be categorized between the income levels \$10,000 and \$25,000
42. A company's strategic business unit:
- A. does not need to adopt the overall corporate strategy.
 - B. is responsible for its own profit and loss.
 - C. is a division solely created to design strategies during turbulent times.
 - D. decides which industries and markets to compete in for an entire conglomerate.
43. Who among the following is responsible for making business strategies in a large conglomerate?
- A. The board of directors at the headquarters
 - B. The shareholder of the company
 - C. The lower-level employees in the company
 - D. The general managers of individual business units

4. Red Million Inc. is a large company that sells a variety of products such as apparel, jewelry, canned foods, consumer electronics, and automobiles. Apart from this, the company also has a strong presence in the service industry through its chain of hotels, fast food restaurants, and amusement parks. Each of its product divisions operates as an individual business and is responsible for its own profits and losses. Thus, these product divisions under Red Million can be referred to as _____.
- A. limited liability companies
 - B. functional departments
 - C. strategic business units
 - D. corporations
4. Which of the following strategies best illustrates a generic business strategy?
- A. A cost-cutting strategy that corporate executives in the headquarters want all business units of a large conglomerate to implement
 - B. A strategy to use monetary incentives to motivate employees working on a project
 - C. A decision to computerize a firm's database in order to improve customer service
 - D. A decision to niche market the jewelry sold by a company while the apparel division under the same company sells its products through mass marketing
4. Which of the following functions do the general managers in strategic business units primarily perform?
- A. Design generic business strategies based on guidelines received from corporate headquarters
 - B. Set overarching strategic objectives to unify the entire conglomerate under onemission
 - C. Take responsibility for decisions and actions within a single functional area
 - D. Allocate scarce resources among different business divisions

47. T & R Autos Inc. is a large conglomerate that operates in 12 different countries. The corporate executives at the headquarters have decided that the company's objective for the next two years will be to increase its customer equity. Based on this guideline received from the top management team, the product leader of the home appliances division has decided to adopt a cost leadership strategy in all his 12 units. Thus, the decision made by the product leader best illustrates a _____.

- A. corporate strategy
- B. functional strategy
- C. grand strategy
- D. business strategy

48. The regional head for First Electronics Inc. in New Dalvia has decided to sell the company's products directly through company-owned stores because the distribution system in the market is primitive. In six other markets, however, the company will continue to operate through a franchise system. Thus, this decision made by the regional head at New Dalvia will be considered as a _____.

- A. corporate strategy
- B. tactical strategy
- C. functional strategy
- D. business strategy

49. White Leo Autos manufactures and markets four different cars, Leo Sport, Leo Prestige, Leo Spark, and Leo Ease. These four product variants are operated as individual business units. While the product leaders of Leo Sport, Leo Prestige, and Leo Spark have adopted a differentiation strategy to attract the niche market, the product leader of Leo Ease follows a cost-leadership strategy to suit the mass market. This decision of the product leader of Leo Ease can be ideally categorized as a _____.

- A. corporate strategy
- B. functional strategy
- C. business strategy
- D. tactical strategy

50. To implement specific business strategies, general managers of strategic business units rely on:

- A. external stakeholders.
- B. corporate executives.
- C. strategic leaders.
- D. functional managers.

51. Strategies developed at the departmental level, such as the accounting human resource, production, and marketing departments, within a strategic business unit are referred to as _____.

- A. grand strategies
- B. corporate strategies
- C. business strategies
- D. functional strategies

52. _____ are primarily responsible for decisions and actions within their respective departments like finance, human resources, marketing, and production in a strategic business unit.

- A. Functional managers
- B. Corporate executives
- C. Strategic leaders
- D. General managers

53. Blue Bird Products Inc. (BBP) is a large conglomerate. The human resources department of its telecom division has decided to reduce its employee turnover by encouraging internal promotions. Which of the following strategies does this scenario best illustrate?

- A. Corporate strategy
- B. Business strategy
- C. Functional strategy
- D. Grand strategy

54. The production department at Coral Cements that is a subsidiary of the large conglomerate Five East Corp. has decided to adopt the FIFO (first in, first out) method of inventory to dispatch its cement bags. Which of the following strategies does this scenario best illustrate?
- A. Functional strategy
 - B. Corporate strategy
 - C. Master strategy
 - D. Business strategy
55. Which of the following strategies best illustrates a functional strategy?
- A. The CEO of Dawn Companies Inc. has decided that the company will be entering the Asian market.
 - B. The general manager of a product division of Aster Products Inc. has decided that 30 percent of the division's annual profits will be invested in research and development.
 - C. The regional manager for the consumer electronics division of Dawson & Co. has decided that the division will pursue backward integration to save costs.
 - D. The production manager at the apparel division of Style Culture Co. has decided that the department will hire contract workers for three months to meet the temporary demand.
56. How are the two approaches namely strategic planning and scenario planning different from strategy-as-planned-emergence approach?
- A. Strategy as a planned emergence model was introduced before strategic planning and scenario planning.
 - B. Unlike strategic planning and scenario planning, strategy as a planned emergence model does not begin with a strategic plan.
 - C. Relative to strategic planning and scenario planning, strategy as a planned emergence model is a less formal and less stylized approach to the development of strategy.
 - D. Unlike strategic planning and scenario planning, strategy as a planned emergence model is a rational top-down planning approach.

57. In the top-down strategic planning approach, all strategic intelligence and decision-making responsibilities rest primarily on the_____.
- A. functional managers
 - B. chief executive officer
 - C. external stakeholders
 - D. general manager
58. _____ is best described as a rational process in which executives at a company's headquarters take primary responsibility to program future success of the company they lead.
- A. Bottom-up strategic approach
 - B. Top-down strategic planning
 - C. Reverse mentoring
 - D. Emergent strategic plan
59. Which of the following statements is true of top-down strategic planning?
- A. Information flows both ways in the process, from the upper management to the lower management and also the other way around.
 - B. In this process, the formulation of strategy is separate from implementation.
 - C. Employees at the operation level have major responsibility in strategizing for competitive advantage.
 - D. The process is based on the assumption that the past cannot be used to predict the future.
60. A traditional top-down strategic planning process typically begins with:
- A. employees at the operational level identifying problems within an organization.
 - B. functional managers formulating functional strategies for their respective departments.
 - C. strategic leaders adjusting a company's vision and mission based on environmental analysis.
 - D. employees who have close contact with customers taking autonomous actions.

61. Which of the following is an assumption that top-down strategic planning rests on?
- A. We can predict the future from the past.
 - B. Time cannot be compressed at will.
 - C. Decisions made in the past do not affect our future.
 - D. Change is constant.
62. Top-down strategic planning works best when the:
- A. events in the future are highly unpredictable.
 - B. past cannot be used to predict the future.
 - C. lower-level employees in an organization are highly empowered.
 - D. environment does not change much.
63. Which of the following is a top-down approach to the development of strategy that involves asking "what if" questions to anticipate plausible futures?
- A. Top-down strategic planning
 - B. Bottom-up strategic thinking
 - C. Scenario planning
 - D. Reverse mentoring

64. The executives at Red Couture Inc. are developing strategic plans to address plausible future situations like rise in the prices of cotton and synthetic fabrics by 20 percent, appreciation in the value of dollar, increase in the cost of labor by 30 percent, and increase in demand for the company's products. By doing so, the company will be well-prepared with its planned responses if any of these situations occurs in the future. Thus, Red Couture is employing _____ as the approach to the development of strategy.

- A. scenario planning
- B. top-down strategic planning
- C. reverse engineering
- D. pattern recognition

65. Which of the following methods of developing a strategy best illustrates scenarioplanning?

- A. Based on the previous year's profits, the CEO of Kelvon Inc. decided to adopt an expansion strategy in its home market.
- B. A sales personnel of GL Foods Inc. suggested that the company should introduce a baked version of its potato wafers to cater to the needs of the increasing health-conscious population.
- C. The managers at Vion Autos Inc. formulated a strategy to tackle any increase in the prices of aluminum sheets in the future.
- D. The CEO of DHP Inc., a large conglomerate, has decided to enter the Asian market based on the competitor's success in the same market.

66. Which of the following statements accurately brings out the difference between top-down strategic planning and scenario planning?
- A. While in top-down strategic planning a top-down approach is used to develop strategies, in scenario planning a bottom-up approach is used.
 - B. Scenario planning helps create strategic plans that are more flexible, and thus more effective, than those created through the more static strategic planning approach.
 - C. While top-down strategic planning takes place at both the corporate and business levels of strategy, scenario planning takes place only at the corporate level.
 - D. Top-down strategic planning addresses only pessimistic futures, whereas scenario planning addresses only optimistic futures.
67. Scenario planning typically begins with managers:
- A. developing different strategic plans to address possible future scenarios.
 - B. building a portfolio of future strategic options.
 - C. executing a dominant strategic plan.
 - D. brainstorming to identify multiple plausible futures.
68. A(n) _____ is best described as the strategic option that top managers decide most closely matches the current reality and which is then executed.
- A. bottom-up emergent strategy
 - B. executive summary
 - C. realized strategy
 - D. dominant strategic plan

69. Strategic flexibility is achieved when managers:
- A. choose to keep their vision statements more product-oriented rather than customer-oriented.
 - B. respond to reality changes by activating alternate dominant plans or modifying the old plan.
 - C. implement static top-down strategic planning approach to the development of strategy.
 - D. overlook pessimistic future scenarios and only prepare for optimistic futures.
70. The critics of top-down strategic planning and scenario planning argue that:
- A. the strategies developed through these approaches are primarily based on an inspirational vision and not on hard data.
 - B. these approaches do not believe that we can predict the future from the past.
 - C. the development of strategies through these approaches is highly dependent on experience of front-line employees.
 - D. these approaches do not allow for the necessary strategic thinking.
71. Strategic thinking is different from strategic planning in that:
- A. strategic thinking includes all types of information sources while strategic planning does not.
 - B. strategic thinking relies more on hard data than strategic planning.
 - C. strategic thinking is regimented and confining, whereas strategic planning is more flexible.
 - D. strategic thinking can create an illusion of control, whereas strategic planning avoids this.
72. An intended strategy is best described as:
- A. a combination of its top-down strategic intentions and bottom-up emergent strategy.
 - B. any unplanned strategic initiative undertaken by mid-level employees of their own volition.
 - C. the outcome of a rational and structured, top-down strategic plan.
 - D. a strategy developed at the lower levels of management to tackle unpredictable events.

73. After carefully assessing the market potential for hybrid cars, it was decided at the corporate headquarters of Unidawn Autos Inc. that the company would be launching a hybrid version of all its car models within the next two years. This would mean that each strategic business unit under the company would be involving in its own research and development efforts. Which of the following strategies in the planned emergence model does this best illustrate?
- A. Intended strategy
 - B. Emergent strategy
 - C. Unrealized strategy
 - D. Tactical strategy
74. When parts of a firm's intended strategy fall by the wayside due to unpredictable events, it turns into a(n)_____.
- A. tactical strategy
 - B. dominant strategy
 - C. emergent strategy
 - D. unrealized strategy
75. Unrealized strategy is when parts of a firm's intended strategy is:
- A. nonfunctional due to unexpected events.
 - B. not revealed to the lower-level employees.
 - C. implemented and controlled by front-line employees.
 - D. planned to tackle some unforeseen events.

76. Molly Hue Apparels Inc. (MHA) had been outsourcing its production to less-developed countries in order to reduce its cost of production. With the emergence of its competitor, Hova Inc., MHA lost its competitive advantage. Hova had its production units in its home country that allowed the company to bring out the latest trends to the market earlier than MHA. Also, MHA frequently suffered due to political instability and lack of intellectual property laws in the outsourced countries. Thus, parts of MHA's strategies became obsolete and it had to relocate its production. What are such obsolete strategies referred to as in the planned emergence model?
- A. Intended strategy
 - B. Emergent strategy
 - C. Unrealized strategy
 - D. Tactical strategy
77. Any unplanned strategic initiative undertaken by mid-level employees of their own volition is a(n) _____.
- A. dominant strategic plan
 - B. unrealized strategy
 - C. emergent strategy
 - D. intended strategy
78. Unplanned strategic initiatives taken by the _____ within an organization will be referred to as an emergent strategy.
- A. suppliers and vendors of the organization
 - B. shareholders of the organization
 - C. team leads of project teams in the organization
 - D. corporate executives in the organization's headquarters

79. The production head at the canned juice unit of True Foods Inc. would frequently stay back after office hours and experiment with new fruit juice flavors though this was part of the new product development team's job. As a result of these experiments, he came up with two new flavors of fruit juices, cherry-melon and melon-mint. After rigorous test marketing, which proved that the market would accept the new drinks, the product variants were successfully launched. Which of the following strategies does this scenario best illustrate?

- A. Intended strategy
- B. Emergent strategy
- C. Unrealized strategy
- D. Tactical strategy

80. A _____ is best described as any activity a firm pursues to explore and develop new products and processes, new markets, or new ventures.

- A. strategic initiative
- B. value chain
- C. supply chain
- D. corrective action

81. Which of the following statements is true of strategic initiatives?

- A. Strategic initiatives can be the result of a response to external trends or come from internal sources.
- B. When lower-level employees are less empowered, the possibility of strategic initiatives is higher.
- C. Strategic initiatives result from top-down planning by executives and not through a bottom-up process.
- D. Random events and accidental happenstances reduce the possibility of strategic initiatives in organizations.

82. Teddiez Inc. is a company that manufactures and sells stuffed toys. It sources its materials from another country to keep costs low. A sales personnel in one of its retail stores noticed that there was increasing concern regarding the potential toxicity of the materials in the dolls. In response, she found an economical, organic, and non-toxic cloth filling that the company could use. When her manager learned about this, he presented the prospect and got it approved from the top management team. This is an example of the:
- A. top-down strategic planning approach.
 - B. planned emergence approach.
 - C. scenario planning process.
 - D. reverse engineering process.
83. To support the rise of emergent strategies, an organization should:
- A. centralize decision-making and all other activities.
 - B. empower lower-level employees to take up autonomous actions.
 - C. limit serendipity that is in the form of random events and accidental happenstances.
 - D. rely solely on hard data to formulate strategies.
84. Which of the following reasons justifies the view that functional managers should be allowed to initiate strategic initiatives based on autonomous actions?
- A. Functional managers have more control and power in the organization than corporate executives.
 - B. Functional managers are much closer to the final products, services, and customers than corporate-or business-level managers.
 - C. Functional managers have a bigger role in identifying a company's vision and mission than the strategic leaders.
 - D. Functional managers are Level-5 managers in the Level-5 leadership pyramid when compared to the executives who are at Level-4.

85. In Strategy Highlight 2.2, what type of strategy did Diana, the Starbucks store manager in southern California, use to develop the new iced beverage for her store?
- A. She used a rational planning approach to strategy planning.
 - B. She created a dominant strategy plan.
 - C. She used scenario planning.
 - D. She used an emergent strategy.
86. Understanding the Resource Allocation Process (RAP) will have large effects on shaping a firm's realized strategy. Which of the following is an example of such an allocation of resources?
- A. Starbucks' launch of iced drinks
 - B. Teach For America's mission statement
 - C. Merck's voluntary withdrawal of Vioxx from the market
 - D. Intel's rule to "maximize margin-per-wafer-start"
87. _____ is best described as a strategy process in which organizational structure and systems allow bottom-up strategic initiatives to emerge and be evaluated and coordinated by top management.
- A. Planned emergence
 - B. Scenario planning
 - C. Top-down strategic planning
 - D. Reverse engineering

88. A company uses the planned emergence approach in the development of its strategies. Which of the following is an implication of this?
- A. The employees will be isolated from the process of setting the company's vision and mission.
 - B. The lower-level employees will be restricted to the tasks involved in strategic implementation.
 - C. The company's organizational structure and systems will be designed to support bottom-up strategic initiatives.
 - D. The top management will create a strategy that is based on hard data alone, rather than an inspiring vision.
89. Top-down strategic planning as an approach to the strategic management process will be most effective when the:
- A. environment is constantly changing.
 - B. size of the firm is large.
 - C. probability of black swan events is high.
 - D. top management wants to decentralize decision making.
90. Lower-level employees focus mainly on _____ when a firm is using top-down or scenario planning as an approach to the strategic management process.
- A. strategy formulation
 - B. strategy analysis
 - C. strategy implementation
 - D. strategy initiation

Short Answer Questions

94. How does a mission statement differ from a firm's vision?
95. Explain product-oriented vision statements with the help of an example.
96. What are customer-oriented vision statements? Explain with the help of an example.

97. Why is it better for firms to keep their vision statements customer-oriented rather than product-oriented?

98. Comment on the statement "Customer-oriented visions do not define how a customer need will be met."

99. What are organizational values?

00 What functions do strong ethical values serve?

01 Why is it important for top management of a company to show commitment and involvement toward organizational values?

02 Who demonstrates strategic leadership within organizations?

106. What does strategic formulation in strategic management process concern?

107. What are the three areas of strategy formulation?

108. Who formulates a company's corporate strategy? What is the objective of this strategy?

9. What is a strategic business unit (SBU)? Explain with an example.

10. Who is responsible for strategic formulation at the SBU level?

11. Who is responsible for strategic formulation at functional levels in a business?

12. Describe the traditional top-down strategic planning process.
13. What is the drawback in top-down strategic planning?
14. What do you mean by scenario planning in the strategic management process?

15. What makes scenario planning more flexible than top-down strategic planning?

16. Briefly discuss the stages of scenario planning.

17. What are the arguments against top-down strategic planning and scenario planning?

24. Discuss the situations in which top-down strategic planning might be the most effective approach.

25. Discuss the role of lower-level employees in the strategy-as-planned-emergence approach.

Chapter 02 Strategic Leadership: Managing the Strategy Process **Answer** **Key**

Multiple Choice Questions

- 1 The Chief Executive Officer (CEO) of PepsiCo, Indra Nooyi, subscribes to a triple-bottom-line approach to competitive advantage—considering not only economic, but also social and environmental performance. Identify the phrase that represents the vision of PepsiCo as described by Ms. Nooyi.
- A. Human sustainability
 - B. Environmental sustainability
 - C. The whole person at work
 - D. Performance with a Purpose

Vision is a statement about what an organization ultimately wants to accomplish; it captures the company's aspiration. Chapter Case 2 describes Indra Nooyi, the CEO of PepsiCo, declaring PepsiCo's vision to be "Performance with a Purpose," as defined by three dimensions: human sustainability, environmental sustainability, and the whole person at work.

AACSB: Analytic

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-01 Describe the roles of vision; mission; and values in the strategic management process.

Topic: Vision, Mission, and Values

- 2 The Chief Executive Officer (CEO) of PepsiCo, Indra Nooyi, subscribes to a triple-bottom-line approach to competitive advantage—considering not only economic, but also social and environmental performance. Based on this, which of the following is a mission of PepsiCo?
- A. Including healthy choices in its lineup
 - B. Performing with a purpose
 - C. Focusing on only the nonalcoholic beverages line of business
 - D. Splitting PepsiCo into two standalone companies each focusing on beverages and snack foods respectively

Building on the vision, organizations establish a mission, which describes what an organization actually does—that is, the products and services it plans to provide, and the markets in which it will compete. Mission describes what an organization does; it defines the means "by" which vision is accomplished. Chapter Case 2 described Indra Nooyi, the CEO of PepsiCo, declaring PepsiCo's vision to be "Performance with a Purpose." It intends do so by reducing the salt and fat in its "fun foods" such as Frito-Lay and Doritos and by including healthy choices such as Quaker Oats products and Tropicana fruit juices in its lineup.

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-01 Describe the roles of vision; mission; and values in the strategic management process.

Topic: Vision, Mission, and Values

3 The first step in the strategic management process is to:

- A. define a firm's vision, mission, and values.
- B. understand the strategies of the competitors.
- C. put the guiding policies of a firm into practice.
- D. develop functional and business level strategies.

The first step in the strategic management process is to define a firm's vision, mission, and values. With these guiding principles in place, strategic leaders consider how to formulate strategy across different levels: corporate, business, and functional.

AACSB: Analytic

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-01 Describe the roles of vision; mission; and values in the strategic management process.

Topic: Vision, Mission, and Values

4 Strategic leadership pertains to the use of power and influence by _____ to direct the activities of others when pursuing an organization's goals.

- A. production workers
- B. lower-level managers
- C. external stakeholders
- D. corporate executives

Strategic leadership pertains to executives' use of power and influence to direct the activities of others when pursuing an organization's goals.

AACSB: Analytic

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-01 Describe the roles of vision; mission; and values in the strategic management process.

Topic: Vision, Mission, and Values

5. Orange Synergy Inc. is a company that manufactures a variety of products that run on solar power. The company wants to ensure that solar technology replaces all forms of exhaustible energy sources in the near future. Which of the following statements will make an accurate vision for Orange Synergy?

- A. We make products that run on solar energy.
- B. All nations around the globe should have access to a sustainable energy source.
- C. The company aims to make working fun and pleasurable for its employees.
- D. We provide energy-efficient sources and services by investing in research and innovation.

"In the future, all nations around the globe should have access to a sustainable energy source" will make an accurate vision statement for Orange Synergy Inc. An effective vision talks about what an organization ultimately wants to accomplish; it captures the company's aspiration.

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-01 Describe the roles of vision; mission; and values in the strategic management process.

Topic: Vision, Mission, and Values

6 True Help is a non-profit organization that works toward rehabilitating the homeless. The credo of the organization is "help us help you." For an organization like True Help, which of the following statements would make an appropriate mission?

- A. Help us help you find a home.
- B. One day, everyone in this nation will have a home to protect themselves.
- C. We help the homeless gain and sustain financial independence by providing employment opportunities.
- D. Our mission is to turn this not-for-profit organization into a for-profit organization so that the stakeholders are benefited.

Building on the vision, organizations establish a mission, which describes what an organization actually does—that is, the products and services it plans to provide, and the markets in which it will compete. "We help the homeless gain and sustain financial independence by providing employment opportunities" would make an appropriate mission for True Help.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-01 Describe the roles of vision; mission; and values in the strategic management process.
Topic: Vision, Mission, and Values

7 Strategic commitments are actions that are:

- A. inexpensive.
- B. long-term oriented.
- C. easy to reverse.
- D. easy to imitate.

To be effective, firms need to back up their visions and missions with strategic commitments, actions that are costly, long-term-oriented, and difficult to reverse. The company's vision is backed up by a powerful strategic commitment. Without such commitments, a firm's vision and mission statements are just words.

AACSB: Analytic

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-01 Describe the roles of vision; mission; and values in the strategic management process.

Topic: Vision, Mission, and Values

8 Visionary companies are able to outperform their competitors because:

- A. their vision statements are more product-oriented.
- B. they provide more aspirational visions.
- C. their visions are exclusively financial.
- D. they isolate internal stakeholders in defining their visions.

An inspiring vision helps employees find meaning in their work, beyond monetary rewards. It allows employees to experience a greater sense of purpose and taps into people's intrinsic motivations to make the world a better place through their work activities. Visionary companies provide more aspirational ideas that are not exclusively financial.

AACSB: Analytic

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-01 Describe the roles of vision; mission; and values in the strategic management process.

Topic: Vision, Mission, and Values

9 To be effective, firms need to:

- A. back up their visions with strategic commitments that are costly and difficult to reverse.
- B. increase their strategic flexibility by developing product-oriented vision statements.
- C. isolate top managers from the organizational values.
- D. pursue visions that are exclusively financial and not aspirational.

To be effective, firms need to back up their visions and missions with strategic commitments, actions that are costly, long-term-oriented, and difficult to reverse.

AACSB: Analytic

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-01 Describe the roles of vision; mission; and values in the strategic management process.

Topic: Vision, Mission, and Values

1. Which of the following statements about product-oriented visions is true?

- A. They tend to force managers to take a myopic view of the landscape.
- B. They allow companies to effectively adapt to changing environments.
- C. They define a business in terms of providing solutions to customers.
- D. They allow firms to take a need-based approach to their goals.

Product-oriented vision defines a business in terms of a good or service provided. Product-oriented visions tend to force managers to take a myopic view of the landscape.

AACSB: Analytic

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 1 Easy

Learning Objective: 02-02 Evaluate the strategic implications of product-oriented and customer-oriented vision statements.

Topic: Vision, Mission, and Values

1. Cuisine Pro Inc. is a company that manufactures consumer electronics like refrigerators, washing machines, and dishwashers. Which of the following best illustrates a product-oriented vision for Cuisine Pro?

- A. To make people's life simple and easy
- B. To allow everyone to have the luxury of domestic technology
- C. To help people save time and energy spent on household chores
- D. To be the pioneering manufacturer of home and kitchen appliances

"To be the pioneering manufacturer of home and kitchen appliances" best illustrates a product-oriented vision for Cuisine Pro Inc. A product-oriented vision defines a business in terms of a good or service provided.

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Blooms: Apply
Difficulty: 2 Medium

Learning Objective: 02-02 Evaluate the strategic implications of product-oriented and customer-oriented vision statements.

Topic: Vision, Mission, and Values

2. Which of the following statements is true of customer-oriented visions?

- A. Customer-oriented visions identify how a customer need will be met.
- B. Customer-oriented vision statements are not the same as listening to your customer.
- C. Customer-oriented visions reduce a company's ability to adapt to a changing environment.
- D. Customer-oriented visions define a business in terms of goods or services provided.

It is important not to confuse customer-oriented vision statements with listening to the customer. They are not the same thing. Customer-oriented visions identify a critical need but leave open the means of how to meet that need.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium

Learning Objective: 02-02 Evaluate the strategic implications of product-oriented and customer-oriented vision statements.

Topic: Vision, Mission, and Values

3. Which of the following is a customer-oriented vision?

- A. To be the most progressive insurance company
- B. To be the best automobile company in the world
- C. To enable people throughout the globe to identify their capabilities
- D. To manufacture innovative products through continuous learning

A customer-oriented vision defines a business in terms of providing solutions to customer needs. The statement "to enable people throughout the globe to identify their capabilities" is a customer-oriented vision.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand

Difficulty: 1 Easy

Learning Objective: 02-02 Evaluate the strategic implications of product-oriented and customer-oriented vision statements.

Topic: Vision, Mission, and Values

14. Pioneer Pharma Inc. and GH Medicines Corp. are two competing firms in the pharmaceutical industry. While Pioneer Pharma Inc.'s vision is "to be a preeminent drug manufacturer in the industry," GH Medicines Corp.'s vision is "to make good health a reality for everyone around the world." Which of the following is an implication of these different visions?

- A. GH Medicines's vision is more product-oriented than the vision of Pioneer Pharma.
- B. Pioneer Pharma is more likely to have a positive relationship between its vision and firm performance than GH Medicines.
- C. Pioneer Pharma's vision is more long-term and futuristic than GH Medicines's vision.
- D. GH Medicines will be more flexible than Pioneer Pharma when adapting to changing environments.

Companies that have customer-oriented visions tend to be more flexible when adapting to changing environments. In contrast, companies that define themselves based on product-oriented statements tend to be less flexible and thus more likely to fail.

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-02 Evaluate the strategic implications of product-oriented and customer-oriented vision statements.

Topic: Vision, Mission, and Values

5. A positive relationship between vision statements and firm performance is more likely to exist when:

- A. visions are product-oriented.
- B. internal stakeholders are isolated from defining and revising the visions.
- C. organizational structures are aligned with the firm's vision statement.
- D. vision statements are equivalent to listening to the customers.

A positive relationship between vision statements and firm performance is more likely to exist under certain circumstances: if the visions are customer-oriented; if internal stakeholders are invested in defining and revising the visions; and if organizational structures such as compensation systems are aligned with the firm's vision statement.

AACSB: Analytic

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-02 Evaluate the strategic implications of product-oriented and customer-oriented vision statements.

Topic: Vision, Mission, and Values

6. _____ are best described as the ethical standards and norms that govern the behavior of individuals within a firm.

- A. Job descriptions
- B. Customs duties
- C. Corrective controls
- D. Organizational values

Organizational values are the ethical standards and norms that govern the behavior of individuals within a firm or organization.

AACSB: Analytic

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-03 Explain why anchoring a firm in ethical values is essential for long-term success

Topic: Vision, Mission, and Values

17. Organizational values are the _____ that govern the behavior of individuals within a firm or organization.

- A. economic measures
- B. ethical standards and norms
- C. political principles and policies
- D. social beliefs and actions

Organizational values are the ethical standards and norms that govern the behavior of individuals within a firm or organization.

AACSB: Analytic

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-03 Explain why anchoring a firm in ethical values is essential for long-term success

Topic: Vision, Mission, and Values

18. When do employees fail to adopt the organizational values of a firm?

- A. When the internal stakeholders of the firm are involved in designing the values
- B. When the top managers in the firm are merely paying lip service to the firm's stated values
- C. When the strategic leaders in the firm propagate and exhibit the same values
- D. When the organizational structure, such as its strategic decision making, is aligned with its values

Without commitment and involvement from top managers, any statement of values remains merely a public relations exercise. Employees tend to follow values practiced by strategic leaders. They observe the day-to-day decisions of top managers and quickly decide whether managers are merely paying lip service to the company's stated values.

AACSB: Analytic

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-03 Explain why anchoring a firm in ethical values is essential for long-term success

8. Organizational values help individuals make choices that are:

- A. legal but unethical.
- B. both illegal.
- C. both ethical and effective in advancing a company's goals.
- D. ethical but ineffective in achieving long-term success.

Organizational values help individuals make choices that are both ethical and effective in advancing the company's goals.

AACSB: Analytic

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-03 Explain why anchoring a firm in ethical values is essential for long-term success

Topic: Vision, Mission, and Values

21

As the CEO of a conglomerate, Juana Mark exhibited her strong commitment toward the company's core value that customer's well-being is more important than profit when she decided to liquidate the company's tobacco subsidiary. The tobacco brand sold by her company was a major revenue earner in lesser-developed nations. However, Juana believed that her company had to be responsible toward the society. In this scenario, Juana has demonstrated_____.

- A. strategic leadership
- B. intrapreneurship
- C. Machiavellianism
- D. individualism

In this scenario, Juana has demonstrated strategic leadership. Executives whose vision and actions enable their organizations to achieve competitive advantage demonstrate strategic leadership—the behaviors and styles of executives that influence others to achieve the organization's vision and mission.

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-04 Outline how managers become strategic leaders.

Topic: Strategic Leadership

21 The pharmaceutical company Merck's new drug Vioxx was a blockbuster, generating revenues of \$2.5 billion a year by 2002 and growing fast. When allegations began to appear in the medical community, Merck announced the voluntary withdrawal of Vioxx from the market. In this example, Merck provides an example of what can happen if a company deviates from its _____.

- A. voluntary responsibilities
- B. realized strategy
- C. core values
- D. strategic decisions

In Strategy Highlight 2.1, the pharmaceutical company Merck provides an example of how values can drive strategic decision making, and what can happen if a company deviates from its core values. Organizational values serve as the guardrails put in place to keep the company on track when pursuing its vision and mission in its quest for competitive advantage.

AACSB: Analytic

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-03 Explain why anchoring a firm in ethical values is essential for long-term success

Topic: Vision, Mission, and Values

2 The is a conceptual framework that views organizational outcomes—strategic choices and performance levels—as reflections of the values of the members of the top management team, who interpret situations through the lens of their unique perspectives.

- A. two-factor theory
- B. expectancy theory
- C. upper-echelons theory
- D. value orientation theory

The upper-echelons theory is a conceptual framework that views organizational outcomes—strategic choices and performance levels—as reflections of the values of the members of the top management team, who interpret situations through the lens of their unique perspectives.

AACSB: Analytic

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-04 Outline how managers become strategic leaders.

Topic: Strategic Leadership

2 According to the upper-echelons theory, the organizational outcomes of a company primarily reflect the values of the _____.

- A. production workers in the company
- B. CEO of the company
- C. housekeeping staff in the company
- D. external stakeholders of the company

According to the upper-echelons theory, organizational outcomes including strategic choices and performance levels reflect the values of the top management team (the individuals at the upper echelons, or levels, of an organization).

AACSB: Analytic

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

24. According to the Level-5 leadership pyramid, a manager in Level 1 typically:

- A. makes productive contributions through motivation, talent, knowledge, and skills.
- B. works effectively with others to achieve synergies and team objectives.
- C. presents compelling vision and mission to guide groups toward superior performance.
- D. builds enduring greatness into the organizations he or she leads.

In the level-5 leadership pyramid, a level-1 manager is a highly capable individual who makes productive contributions through motivation, talent, knowledge, and skills.

AACSB: Analytic

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-04 Outline how managers become strategic leaders.

Topic: Strategic Leadership

25. Nathan is part of a sales team. He effectively coordinates his tasks with others in the team and willingly contributes to their efforts in achieving the team's objectives. Thus, Nathan is in of the Level-5 leadership pyramid.

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

Nathan is currently at Level 2 of the Level-5 leadership pyramid. The Level-2 manager masters the skills required at Level 1, but is also a contributing team member who works effectively with others to achieve synergies and team objectives.

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: 2 Medium

⌘ According to the Level-5 leadership pyramid, a manager at Level 3 has acquired the ability to:

- A. organize resources effectively to accomplish predetermined goals.
- B. build enduring greatness into the organizations he or she leads.
- C. identify the vision and the mission of the company.
- D. justify unethical activities as legal and ethical.

The Level-3 manager of the Level-5 leadership pyramid is a well-rounded and highly capable manager, who "does things right." He or she is an effective team player and organizes resources effectively to achieve predetermined goals.

AACSB: Analytic

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-04 Outline how managers become strategic leaders.

Topic: Strategic Leadership

27. Richard is a manager. His colleagues and subordinates look up to him as a man who always does the right things. Along with other skills, his ability to effectively organize and deploy resources like manpower, material, and money has been appreciated by his seniors. According to the Level-5 leadership pyramid, which of the following levels would be the immediate next step for Richard?

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

According to the Level-5 leadership pyramid, the next step for Richard would be Level 4. The Level-3 manager is a well-rounded and highly capable manager, who "does things right." He or she is an effective team player and organizes resources effectively to achieve predetermined goals. At Level 4, the effective Level-3 manager becomes a leader who determines what the right decisions are.

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-04 Outline how managers become strategic leaders.

Topic: Strategic Leadership

28

Gerald has been an employee with GeoFuture Inc. for 15 years. He started with an entry-level job, and today he is a manager of an entire division. Over the years, Gerald has acquired a reputation for doing the right things in the company. Hence, as an efficient leader, he is capable of effectively communicating and motivating his subordinates to work toward the company's vision and mission. According to the Level-5 leadership pyramid, which is the highest level of leadership Gerald has reached so far?

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

Gerald has reached Level 4 of the Level-5 leadership pyramid so far. At Level 4, the effective Level-3 manager becomes a leader who determines what the right decisions are. The Level-4 manager effectively communicates a compelling vision and mission to guide the firm toward superior performance. He or she "does the right things."

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-04 Outline how managers become strategic leaders.

Topic: Strategic Leadership

29. According to the Level-5 leadership pyramid, a manager turns into an executive who is capable of building lasting greatness into the organization through a combination of will power and humility when he or she reaches _____.

- A. Level 5
- B. Level 3
- C. Level 2
- D. Level 1

According to the Level-5 leadership pyramid, the Level-5 manager reaches a leadership pinnacle, turning into a strategic leader. An effective strategic leader is an executive that builds enduring greatness into the organizations he or she leads.

AACSB: Analytic

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-04 Outline how managers become strategic leaders.

Topic: Strategic Leadership

30. During an assessment of employees and leaders in a company, Ethan Browne was categorized as a Level-5 manager in the Level-5 leadership pyramid. Which of the following can be inferred from this information?

- A. Ethan is currently a team lead in the company.
- B. Ethan shows no signs of being a good leader.
- C. Ethan is a top management executive in the company.
- D. Ethan has just started his career as a member of a team in the company.

Ethan is a top management executive in the company. According to the Level-5 leadership pyramid, a Level-5 manager reaches a leadership pinnacle, turning into a strategic leader. An effective strategic leader is an executive that builds enduring greatness into the organizations he or she leads.

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-04 Outline how managers become strategic leaders.

Topic: Strategic Leadership

31. Which of the following managers in the Level-5 leadership pyramid are most capable of leading their organizations into great success by guiding the organizations toward building a sustainable competitive advantage?

- A. Level 1
- B. Level 2
- C. Level 3
- D. Level 5

According to the Level-5 leadership pyramid, the Level-5 manager reaches a leadership pinnacle, turning into a strategic leader. An effective strategic leader is an executive that builds enduring greatness into the organizations he or she leads.

AACSB: Analytic

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-04 Outline how managers become strategic leaders.

Topic: Strategic Leadership

32 Which of the following best describes a Level-5 manager in the Level-5 leadership pyramid?

- A. Gina is an employee who just started her career at GL Inc.; she has already been appreciated for her knowledge and skills in the new company.
- B. Derek is an employee at One Triangle Inc.; he has helped his team achieve their targets by contributing to the team's efforts.
- C. Harry is part of the marketing team at JB Corp.; he has been given the charge of managing a team of three based on which he will be promoted to a manager's position next month.
- D. Walter is the CEO of Red Autos Inc.; he has helped his company in gaining and sustaining a competitive advantage through ethical decision making.

Walter who is the CEO of Red Autos Inc. is a Level-5 manager in the Level-5 leadership pyramid. In the Level-5 leadership pyramid, the Level-5 manager reaches a leadership pinnacle, turning into a strategic leader. An effective strategic leader is an executive that builds enduring greatness into the organizations he or she leads.

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-04 Outline how managers become strategic leaders.

Topic: Strategic Leadership

33 As a part of strategy formulation, corporate strategy concerns questions relating to:

- A. why we should compete.
- B. how to compete.
- C. where to compete.
- D. how to implement the business strategy.

As a part of strategy formulation, corporate strategy concerns questions relating to where to compete (industry, markets, and geography).

AACSB: Analytic

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-05 Describe the roles of corporate; business; and functional managers in strategy formulation and implementation

Topic: Strategic Leadership

34. The CEO of True West Products Inc. (TWC) is a company that sells a wide range of products. It has decided to enter the markets of emerging nations like China and Brazil. This means that the cars, consumer electronics, and services such as hotels included under the TWC banner would be made available in these nations. Which of the following strategies does this scenario best illustrate?

- A. Corporate strategy
- B. Functional strategy
- C. Business strategy
- D. Divisional strategy

The given scenario of True West Products Inc. (TWC) describes a corporate strategy. Corporate strategy concerns questions relating to where to compete (industry, markets, and geography). Corporate executives at headquarters formulate corporate strategy.

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-05 Describe the roles of corporate; business; and functional managers in strategy formulation and implementation

Topic: Strategic Leadership

35. As a part of strategy formulation, a firm's functional strategy primarily concerns questions relating to:

- A. where to compete.
- B. when to compete.
- C. how to implement business strategy.
- D. how to enter target markets.

As a part of strategy formulation, functional strategy concerns the question of how to implement business strategy.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-05 Describe the roles of corporate; business; and functional managers in strategy formulation and implementation
Topic: Strategic Leadership

36. In a large company, who is most responsible for devising the corporate strategy?

- A. The CEO of the company
- B. The lower-level employees in the company
- C. The head of the production department in the company
- D. The human resource manager in the company

Corporate executives at headquarters formulate corporate strategy. Corporate executives need to decide in which industries, markets, and geographies their companies should compete.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-05 Describe the roles of corporate; business; and functional managers in strategy formulation and implementation
Topic: Strategic Leadership

37. Which of the following statements is true of corporate strategy?

- A. The objective of corporate-level strategy is to ensure that the sum of the values of individual business units is greater than the overall corporate value.
- B. A corporate strategy must be able to create synergies across business units that are quite different.
- C. Formulating a corporate strategy involves general managers answering questions relating to how to compete in order to achieve superior performance.
- D. Deciding whether to adopt a differentiation or a cost-leadership strategy is part of formulating the corporate strategy.

Corporate executives at headquarters formulate corporate strategy. They need to formulate a strategy that can create synergies across business units that may be quite different, and determine the boundaries of the firm by deciding whether to enter certain industries and markets and whether to sell certain divisions.

AACSB: Analytic

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-05 Describe the roles of corporate; business; and functional managers in strategy formulation and implementation

Topic: Strategic Leadership

Carrvour Inc. is a company that manufactures steel, cement, cars, and consumer electronics under a single brand. The top management at Carrvour has decided to enter the banking and insurance industry based on its assessment of the profit potential in that industry. Which of the following strategies does this best illustrate?

- A. Corporate strategy
- B. Business strategy
- C. Functional strategy
- D. Divisional strategy

Corporate executives at headquarters formulate corporate strategy. They need to formulate a strategy that can create synergies across business units that may be quite different, and determine the boundaries of the firm by deciding whether to enter certain industries and markets and whether to sell certain divisions.

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-05 Describe the roles of corporate; business; and functional managers in strategy formulation and implementation

Topic: Strategic Leadership

39. Due to political instability in the country of United Mapa, the strategic leaders at the headquarters of FT Supplies Inc. have decided to divest the company's business from the foreign market in United Mapa. This decision would be applicable to all the business units of FT Supplies Inc. operating in United Mapa. Thus, this is a _____.

- A. business strategy
- B. divisional strategy
- C. functional strategy
- D. corporate strategy

Corporate executives at headquarters formulate corporate strategy. They need to formulate a strategy that can create synergies across business units that may be quite different, and determine the boundaries of the firm by deciding whether to enter certain industries and markets and whether to sell certain divisions.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-05 Describe the roles of corporate; business; and functional managers in strategy formulation and implementation
Topic: Strategic Leadership

40. A(n) _____ is best described as a standalone division of a larger conglomerate, with its own profit-and-loss responsibility.

- A. corporation
- B. strategic business unit
- C. affiliate company
- D. functional department

Business strategy occurs within strategic business units, or SBUs, the standalone divisions of a larger conglomerate, each with its own profit-and-loss responsibility.

AACSB: Analytic
Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-05 Describe the roles of corporate; business; and functional managers in strategy formulation and implementation

Topic: Strategic Leadership

4. Which of the following best illustrates a strategic business unit (SBU)?

- A. The human resource department of a large company that is responsible for hiring employees for all its divisional branches
- B. The consumer electronics division of a large company that also manufactures automobiles, apparel, and processed food
- C. The product development team at the headquarters of a fast-food chain
- D. The market segment which can be categorized between the income levels \$10,000 and \$25,000

The consumer electronics division of a large company that also manufactures automobiles, apparels, and processed food best illustrates a strategic business unit (SBU). Business strategy occurs within strategic business units, or SBUs, the standalone divisions of a larger conglomerate, each with its own profit-and-loss responsibility.

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-05 Describe the roles of corporate; business; and functional managers in strategy formulation and implementation

Topic: Strategic Leadership

4 A company's strategic business unit:

- A. does not need to adopt the overall corporate strategy.
- B. is responsible for its own profit and loss.
- C. is a division solely created to design strategies during turbulent times.
- D. decides which industries and markets to compete in for an entire conglomerate.

Business strategy occurs within strategic business units, or SBUs, the standalone divisions of a larger conglomerate, each with its own profit-and-loss responsibility.

AACSB: Analytic

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-05 Describe the roles of corporate; business; and functional managers in strategy formulation and implementation

Topic: Strategic Leadership

4 Who among the following is responsible for making business strategies in a large conglomerate?

- A. The board of directors at the headquarters
- B. The shareholder of the company
- C. The lower-level employees in the company
- D. The general managers of individual business units

General managers in strategic business units (SBUs) must answer business strategy questions relating to how to compete in order to achieve superior performance.

AACSB: Analytic

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-05 Describe the roles of corporate; business; and functional managers in strategy formulation and implementation

Topic: Strategic Leadership

4. Red Million Inc. is a large company that sells a variety of products such as apparel, jewelry, canned foods, consumer electronics, and automobiles. Apart from this, the company also has a strong presence in the service industry through its chain of hotels, fast food restaurants, and amusement parks. Each of its product divisions operates as an individual business and is responsible for its own profits and losses. Thus, these product divisions under Red Million can be referred to as_____.

- A. limited liability companies
- B. functional departments
- C. strategic business units
- D. corporations

These product divisions under Red Million can be referred to as strategic business units (SBUs). Business strategy occurs within strategic business units, the standalone divisions of a larger conglomerate, each with its own profit-and-loss responsibility. General managers in SBUs must answer business strategy questions relating to how to compete in order to achieve superior performance.

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-05 Describe the roles of corporate; business; and functional managers in strategy formulation and implementation

Topic: Strategic Leadership

4. Which of the following strategies best illustrates a generic business strategy?

- A. A cost-cutting strategy that corporate executives in the headquarters want all business units of a large conglomerate to implement
- B. A strategy to use monetary incentives to motivate employees working on a project
- C. A decision to computerize a firm's database in order to improve customer service
- D. A decision to niche market the jewelry sold by a company while the apparel division under the same company sells its products through mass marketing

A decision to niche market the jewelry sold by a company while the apparel division under the same company sells its products through mass marketing is an example of a generic business strategy. Business strategy occurs within strategic business units, or SBUs, the standalone divisions of a larger conglomerate, each with its own profit-and-loss responsibility. Within the guidelines received from corporate headquarters, they formulate an appropriate generic business strategy (cost leadership, differentiation, or integration) in their quest for competitive advantage.

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-05 Describe the roles of corporate; business; and functional managers in strategy formulation and implementation

Topic: Strategic Leadership

46. Which of the following functions do the general managers in strategic business units primarily perform?

- A. Design generic business strategies based on guidelines received from corporate headquarters
- B. Set overarching strategic objectives to unify the entire conglomerate under one mission
- C. Take responsibility for decisions and actions within a single functional area
- D. Allocate scarce resources among different business divisions

General managers in strategic business units must answer business strategy questions relating to how to compete in order to achieve superior performance. Within the guidelines received from corporate headquarters, they formulate an appropriate generic business strategy (cost leadership, differentiation, or integration) in their quest for competitive advantage.

AACSB: Analytic

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-05 Describe the roles of corporate; business; and functional managers in strategy formulation and implementation

Topic: Strategic Leadership

4. T & R Autos Inc. is a large conglomerate that operates in 12 different countries. The corporate executives at the headquarters have decided that the company's objective for the next two years will be to increase its customer equity. Based on this guideline received from the top management team, the product leader of the home appliances division has decided to adopt a cost leadership strategy in all his 12 units. Thus, the decision made by the product leader best illustrates a_____.

- A. corporate strategy
- B. functional strategy
- C. grand strategy
- D. business strategy

The given decision made by the product leader best illustrates a business strategy. General managers in strategic business units must answer business strategy questions relating to how to compete in order to achieve superior performance. Within the guidelines received from corporate headquarters, they formulate an appropriate generic business strategy (cost leadership, differentiation, or integration) in their quest for competitive advantage.

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-05 Describe the roles of corporate; business; and functional managers in strategy formulation and implementation

Topic: Strategic Leadership

48. The regional head for First Electronics Inc. in New Dalvia has decided to sell the company's products directly through company-owned stores because the distribution system in the market is primitive. In six other markets, however, the company will continue to operate through a franchise system. Thus, this decision made by the regional head at New Dalvia will be considered as a _____.

- A. corporate strategy
- B. tactical strategy
- C. functional strategy
- D. business strategy

The decision made by the regional head at New Dalvia will be considered as a business strategy. General managers in strategic business units must answer business strategy questions relating to how to compete in order to achieve superior performance. Within the guidelines received from corporate headquarters, they formulate an appropriate generic business strategy (cost leadership, differentiation, or integration) in their quest for competitive advantage.

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-05 Describe the roles of corporate; business; and functional managers in strategy formulation and implementation

Topic: Strategic Leadership

49. White Leo Autos manufactures and markets four different cars, Leo Sport, Leo Prestige, Leo Spark, and Leo Ease. These four product variants are operated as individual business units. While the product leaders of Leo Sport, Leo Prestige, and Leo Spark have adopted a differentiation strategy to attract the niche market, the product leader of Leo Ease follows a cost-leadership strategy to suit the mass market. This decision of the product leader of Leo Ease can be ideally categorized as a_____.

- A. corporate strategy
- B. functional strategy
- C. business strategy
- D. tactical strategy

This decision of the product leader of Leo Ease can be ideally categorized as a business strategy. General managers in strategic business units must answer business strategy questions relating to how to compete in order to achieve superior performance. Within the guidelines received from corporate headquarters, they formulate an appropriate generic business strategy (cost leadership, differentiation, or integration) in their quest for competitive advantage.

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-05 Describe the roles of corporate; business; and functional managers in strategy formulation and implementation

Topic: Strategic Leadership

50. To implement specific business strategies, general managers of strategic business units rely on:

- A. external stakeholders.
- B. corporate executives.
- C. strategic leaders.
- D. functional managers.

To implement specific business strategies, regional and product leaders (general managers) rely on functional managers, who are responsible for a particular business function such as bottling, supply chain management, marketing, retail, or customer service.

AACSB: Analytic

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-05 Describe the roles of corporate; business; and functional managers in strategy formulation and implementation

Topic: Strategic Leadership

51. Strategies developed at the departmental level, such as the accounting human resource, production, and marketing departments, within a strategic business unit are referred to as _____:

- A. grand strategies
- B. corporate strategies
- C. business strategies
- D. functional strategies

Within each strategic business unit are various business functions: accounting, finance, human resources, product development, operations, manufacturing, marketing, and customer service. Each functional manager is responsible for decisions and actions within a single functional area.

AACSB: Analytic

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-05 Describe the roles of corporate; business; and functional managers in strategy formulation and

2. _____ are primarily responsible for decisions and actions within their respective departments like finance, human resources, marketing, and production in a strategic business unit.

- A. Functional managers
- B. Corporate executives
- C. Strategic leaders
- D. General managers

Within each strategic business unit are various business functions: accounting, finance, human resources, product development, operations, manufacturing, marketing, and customer service. Each functional manager is responsible for decisions and actions within a single functional area.

AACSB: Analytic
Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-05 Describe the roles of corporate; business; and functional managers in strategy formulation and implementation

Topic: Strategic Leadership

51. Blue Bird Products Inc. (BBP) is a large conglomerate. The human resources department of its telecom division has decided to reduce its employee turnover by encouraging internal promotions. Which of the following strategies does this scenario best illustrate?

- A. Corporate strategy
- B. Business strategy
- C. Functional strategy
- D. Grand strategy

The human resource department of Blue Bird Products telecom division has decided to implement a functional strategy. Within each strategic business unit are various business functions: accounting, finance, human resources, product development, operations, manufacturing, marketing, and customer service. Each functional manager is responsible for decisions and actions within a single functional area.

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-05 Describe the roles of corporate; business; and functional managers in strategy formulation and implementation

Topic: Strategic Leadership

54. The production department at Coral Cements that is a subsidiary of the large conglomerate Five East Corp. has decided to adopt the FIFO (first in, first out) method of inventory to dispatch its cement bags. Which of the following strategies does this scenario best illustrate?

- A. Functional strategy
- B. Corporate strategy
- C. Master strategy
- D. Business strategy

The production department of Coral Cements has decided to implement a functional strategy. Within each strategic business unit are various business functions: accounting, finance, human resources, product development, operations, manufacturing, marketing, and customer service. Each functional manager is responsible for decisions and actions within a single functional area.

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-05 Describe the roles of corporate; business; and functional managers in strategy formulation and implementation

Topic: Strategic Leadership

55.

Which of the following strategies best illustrates a functional strategy?

- A. The CEO of Dawn Companies Inc. has decided that the company will be entering the Asian market.
- B. The general manager of a product division of Aster Products Inc. has decided that 30 percent of the division's annual profits will be invested in research and development.
- C. The regional manager for the consumer electronics division of Dawson & Co. has decided that the division will pursue backward integration to save costs.
- D. The production manager at the apparel division of Style Culture Co. has decided that the department will hire contract workers for three months to meet the temporary demand.

The production manager at the apparel division of a large conglomerate deciding that the department will hire contract workers for three months to meet the temporary demand best illustrates a functional strategy. Within each strategic business unit are various business functions: accounting, finance, human resources, product development, operations, manufacturing, marketing, and customer service. Each functional manager is responsible for decisions and actions within a single functional area.

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-05 Describe the roles of corporate; business; and functional managers in strategy formulation and implementation

Topic: Strategic Leadership

How are the two approaches namely strategic planning and scenario planning different from strategy-as-planned-emergence approach?

- A. Strategy as a planned emergence model was introduced before strategic planning and scenario planning.
- B. Unlike strategic planning and scenario planning, strategy as a planned emergence model does not begin with a strategic plan.
- C. Relative to strategic planning and scenario planning, strategy as a planned emergence model is a less formal and less stylized approach to the development of strategy.
- D. Unlike strategic planning and scenario planning, strategy as a planned emergence model is a rational top-down planning approach.

Strategic planning was the first framework, before scenario planning was introduced, and strategy as a planned emergence model is the most recent addition. The first two are relatively formal, "rational" top-down planning approaches. Although the third approach also begins with a strategic plan, it is a less formal and less stylized approach to the development of strategy.

AACSB: Analytic

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence.

Topic: The Strategic Management Process

57. In the top-down strategic planning approach, all strategic intelligence and decision-making responsibilities rest primarily on the _____.

- A. functional managers
- B. chief executive officer
- C. external stakeholders
- D. general manager

Top-down strategic planning is a rational, top-down process through which executives attempt to program future success. In this approach, all strategic intelligence and decision-making responsibilities are concentrated in the office of the CEO.

*AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy*

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence.

Topic: The Strategic Management Process

58. _____ is best described as a rational process in which executives at a company's headquarters take primary responsibility to program future success of the company they lead.

- A. Bottom-up strategic approach
- B. Top-down strategic planning
- C. Reverse mentoring
- D. Emergent strategic plan

Top-down strategic planning is a rational, top-down process through which executives attempt to program future success. In this approach, all strategic intelligence and decision-making responsibilities are concentrated in the office of the CEO.

*AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium*

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence.

Topic: The Strategic Management Process

59.

Which of the following statements is true of top-down strategic planning?

- A. Information flows both ways in the process, from the upper management to the lower management and also the other way around.
- B. In this process, the formulation of strategy is separate from implementation.
- C. Employees at the operation level have major responsibility in strategizing for competitive advantage.
- D. The process is based on the assumption that the past cannot be used to predict the future.

In top-down strategic planning, the formulation of strategy is separate from implementation, and thinking about strategy is separate from doing it.

AACSB: Analytic

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence.

Topic: The Strategic Management Process

60.

A traditional top-down strategic planning process typically begins with:

- A. employees at the operational level identifying problems within an organization.
- B. functional managers formulating functional strategies for their respective departments.
- C. strategic leaders adjusting a company's vision and mission based on environmental analysis.
- D. employees who have close contact with customers taking autonomous actions.

In a traditional top-down strategic planning process, strategic planners first provide careful analyses of internal and external data and apply it to all quantifiable areas: prices, costs, margins, market demand, head count, and production runs. Based on a careful analysis of these data, top managers reconfirm or adjust the company's vision, mission, and values before formulating corporate, business, and functional strategies.

AACSB: Analytic

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence.

Topic: The Strategic Management Process

61. Which of the following is an assumption that top-down strategic planning rests on?

- A. We can predict the future from the past.
- B. Time cannot be compressed at will.
- C. Decisions made in the past do not affect our future.
- D. Change is constant.

Top-down strategic planning rests on the assumption that the future can be predicted from the past. The approach works reasonably well when the environment does not change much.

AACSB: Analytic

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence

Topic: The Strategic Management Process

62. Top-down strategic planning works best when the:

- A. events in the future are highly unpredictable.
- B. past cannot be used to predict the future.
- C. lower-level employees in an organization are highly empowered.
- D. environment does not change much.

Top-down strategic planning rests on the assumption that the future can be predicted from the past. The approach works reasonably well when the environment does not change much.

AACSB: Analytic

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence.

Topic: The Strategic Management Process

63. Which of the following is a top-down approach to the development of strategy that involves asking "what if" questions to anticipate plausible futures?

- A. Top-down strategic planning
- B. Bottom-up strategic thinking
- C. Scenario planning
- D. Reverse mentoring

Scenario planning asks "what if" questions. Similar to top-down strategic planning, scenario planning also uses a rational, scientific approach to the strategy process. In addition, in scenario planning managers envision different scenarios, to anticipate plausible futures.

*AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy*

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence.

Topic: The Strategic Management Process

64. The executives at Red Couture Inc. are developing strategic plans to address plausible future situations like rise in the prices of cotton and synthetic fabrics by 20 percent, appreciation in the value of dollar, increase in the cost of labor by 30 percent, and increase in demand for the company's products. By doing so, the company will be well-prepared with its planned responses if any of these situations occurs in the future. Thus, Red Couture is employing _____ as the approach to the development of strategy.

- A. scenario planning
- B. top-down strategic planning
- C. reverse engineering
- D. pattern recognition

Scenario planning asks those "what if" questions. Similar to top-down strategic planning, scenario planning also uses a rational, scientific approach to the strategy process. In addition, in scenario planning managers envision different scenarios, to anticipate plausible futures.

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence.

Topic: The Strategic Management Process

65. Which of the following methods of developing a strategy best illustrates scenario planning?

- A. Based on the previous year's profits, the CEO of Kelvon Inc. decided to adopt an expansion strategy in its home market.
- B. A sales personnel of GL Foods Inc. suggested that the company should introduce a baked version of its potato wafers to cater to the needs of the increasing health-conscious population.
- C. The managers at Vion Autos Inc. formulated a strategy to tackle any increase in the prices of aluminum sheets in the future.
- D. The CEO of DHP Inc., a large conglomerate, has decided to enter the Asian market based on the competitor's success in the same market.

Scenario planning asks those "what if" questions. Similar to top-down strategic planning, scenario planning also uses a rational, scientific approach to the strategy process. In addition, in scenario planning managers envision different scenarios, to anticipate plausible futures.

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence.

Topic: The Strategic Management Process

66. Which of the following statements accurately brings out the difference between top-down strategic planning and scenario planning?

- A. While in top-down strategic planning a top-down approach is used to develop strategies, in scenario planning a bottom-up approach is used.
- B. Scenario planning helps create strategic plans that are more flexible, and thus more effective, than those created through the more static strategic planning approach.
- C. While top-down strategic planning takes place at both the corporate and business levels of strategy, scenario planning takes place only at the corporate level.
- D. Top-down strategic planning addresses only pessimistic futures, whereas scenario planning addresses only optimistic futures.

The goal of scenario planning is to create strategic plans that are more flexible, and thus more effective, than those created through the more static strategic planning approach.

*AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium*

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence

Topic: The Strategic Management Process

67. Scenario planning typically begins with managers:

- A. developing different strategic plans to address possible future scenarios.
- B. building a portfolio of future strategic options.
- C. executing a dominant strategic plan.
- D. brainstorming to identify multiple plausible futures.

In the analysis stage of scenario planning, managers brainstorm to identify possible future scenarios. Input from several different hierarchies within the organization and from different functional areas such as R&D, manufacturing, and marketing and sales is critical at this step.

*AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember*

Difficulty: 1 Easy

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence.

Topic: The Strategic Management Process

68. A(n) _____ is best described as the strategic option that top managers decide most closely matches the current reality and which is then executed.

- A. bottom-up emergent strategy
- B. executive summary
- C. realized strategy
- D. dominant strategic plan

Dominant strategic plan is the strategic option that top managers decide most closely matches the current reality and which is then executed.

AACSB: Analytic

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence.

Topic: The Strategic Management Process

69. Strategic flexibility is achieved when managers:

- A. choose to keep their vision statements more product-oriented rather than customer-oriented.
- B. respond to reality changes by activating alternate dominant plans or modifying the old plan.
- C. implement static top-down strategic planning approach to the development of strategy.
- D. overlook pessimistic future scenarios and only prepare for optimistic futures.

If performance feedback of a strategic plan is positive, managers should continue to pursue the dominant strategic plan, fine-tuning it in the process. If performance feedback is negative, or if reality changes, managers should consider whether to modify further the dominant strategic plan in order to enhance firm performance, or to activate an alternative strategic plan.

AACSB: Analytic

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence.

Topic: The Strategic Management Process

70 The critics of top-down strategic planning and scenario planning argue that:

- A. the strategies developed through these approaches are primarily based on an inspirational vision and not on hard data.
- B. these approaches do not believe that we can predict the future from the past.
- C. the development of strategies through these approaches is highly dependent on experience of front-line employees.
- D. these approaches do not allow for the necessary strategic thinking.

Critics of top-down and scenario planning argue that strategic planning is not the same as strategic thinking. In fact, they argue the strategic planning processes are often too regimented and confining. As such, they do not allow for the necessary strategic thinking.

AACSB: Analytic

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence.

Topic: The Strategic Management Process

7. Strategic thinking is different from strategic planning in that:

- A. strategic thinking includes all types of information sources while strategic planning does not.
- B. strategic thinking relies more on hard data than strategic planning.
- C. strategic thinking is regimented and confining, whereas strategic planning is more flexible.
- D. strategic thinking can create an illusion of control, whereas strategic planning avoids this.

Critics of top-down and scenario planning argue that strategic planning is not the same as strategic thinking. According to them, in order to be successful, a strategy should be based on an inspiring vision and not on hard data alone. They advise that managers should focus on all types of information sources, including soft sources that can generate new insights, such as personal experience or the experience of front-line employees.

AACSB: Analytic

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence.

Topic: The Strategic Management Process

7. An intended strategy is best described as:

- A. a combination of its top-down strategic intentions and bottom-up emergent strategy.
- B. any unplanned strategic initiative undertaken by mid-level employees of their own volition.
- C. the outcome of a rational and structured, top-down strategic plan.
- D. a strategy developed at the lower levels of management to tackle unpredictable events.

Top-level executives design an intended strategy—the outcome of a rational and structured, top-down strategic plan.

AACSB: Analytic

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence.

Topic: The Strategic Management Process

73. After carefully assessing the market potential for hybrid cars, it was decided at the corporate headquarters of Unidawn Autos Inc. that the company would be launching a hybrid version of all its car models within the next two years. This would mean that each strategic business unit under the company would be involving in its own research and development efforts. Which of the following strategies in the planned emergence model does this best illustrate?

- A. Intended strategy
- B. Emergent strategy
- C. Unrealized strategy
- D. Tactical strategy

Top-level executives design an intended strategy—the outcome of a rational and structured, top-down strategic plan.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 3 Hard

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence.

Topic: The Strategic Management Process

74. When parts of a firm's intended strategy fall by the wayside due to unpredictable events, it turns into a(n) _____.

- A. tactical strategy
- B. dominant strategy
- C. emergent strategy
- D. unrealized strategy

At times, parts of a firm's intended strategy fall by the wayside due to unpredictable events and thus turn into unrealized strategy.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence.

Topic: The Strategic Management Process

5. Unrealized strategy is when parts of a firm's intended strategy is:

- A. nonfunctional due to unexpected events.
- B. not revealed to the lower-level employees.
- C. implemented and controlled by front-line employees.
- D. planned to tackle some unforeseen events.

At times, parts of a firm's intended strategy fall by the wayside due to unpredictable events and thus turn into unrealized strategy.

AACSB: Analytic

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence.

Topic: The Strategic Management Process

76

Molly Hue Apparels Inc. (MHA) had been outsourcing its production to less-developed countries in order to reduce its cost of production. With the emergence of its competitor, Hova Inc., MHA lost its competitive advantage. Hova had its production units in its home country that allowed the company to bring out the latest trends to the market earlier than MHA. Also, MHA frequently suffered due to political instability and lack of intellectual property laws in the outsourced countries. Thus, parts of MHA's strategies became obsolete and it had to relocate its production. What are such obsolete strategies referred to as in the planned emergence model?

- A. Intended strategy
- B. Emergent strategy
- C. Unrealized strategy
- D. Tactical strategy

At times, parts of a firm's intended strategy fall by the wayside due to unpredictable events and thus turn into unrealized strategy.

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence.

Topic: The Strategic Management Process

77. Any unplanned strategic initiative undertaken by mid-level employees of their own volition is a(n)_____.

- A. dominant strategic plan
- B. unrealized strategy
- C. emergent strategy
- D. intended strategy

An emergent strategy describes any unplanned strategic initiative undertaken by mid-level employees of their own volition. If successful, emergent strategies have the potential to influence and shape a firm's strategy.

*AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy*

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence.

Topic: The Strategic Management Process

78. Unplanned strategic initiatives taken by the _____ within an organization will be referred to as an emergent strategy.

- A. suppliers and vendors of the organization
- B. shareholders of the organization
- C. team leads of project teams in the organization
- D. corporate executives in the organization's headquarters

An emergent strategy describes any unplanned strategic initiative undertaken by mid-level employees of their own volition.

*AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium*

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence.

Topic: The Strategic Management Process

79. The production head at the canned juice unit of True Foods Inc. would frequently stay back after office hours and experiment with new fruit juice flavors though this was part of the new product development team's job. As a result of these experiments, he came up with two new flavors of fruit juices, cherry-melon and melon-mint. After rigorous test marketing, which proved that the market would accept the new drinks, the product variants were successfully launched. Which of the following strategies does this scenario best illustrate?

- A. Intended strategy
- B. Emergent strategy
- C. Unrealized strategy
- D. Tactical strategy

This scenario best illustrates an emergent strategy. An emergent strategy describes any unplanned strategic initiative undertaken by mid-level employees of their own volition. If successful, emergent strategies have the potential to influence and shape a firm's strategy.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 3 Hard

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence.
Topic: The Strategic Management Process

80. A _____ is best described as any activity a firm pursues to explore and develop new products and processes, new markets, or new ventures.

- A. strategic initiative
- B. value chain
- C. supply chain
- D. corrective action

A strategic initiative is any activity a firm pursues to explore and develop new products and processes, new markets, or new ventures.

AACSB: Analytic
Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence.

Topic: The Strategic Management Process

81. Which of the following statements is true of strategic initiatives?

- A. Strategic initiatives can be the result of a response to external trends or come from internal sources.
- B. When lower-level employees are less empowered, the possibility of strategic initiatives is higher.
- C. Strategic initiatives result from top-down planning by executives and not through a bottom-up process.
- D. Random events and accidental happenstances reduce the possibility of strategic initiatives in organizations.

Strategic initiatives can come from anywhere. They could be the result of a response to external trends or come from internal sources. As such, strategic initiatives can be the result of top-down planning by executives, or they can also emerge through a bottom-up process.

AACSB: Analytic

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence.

Topic: The Strategic Management Process

82. Teddiez Inc. is a company that manufactures and sells stuffed toys. It sources its materials from another country to keep costs low. A sales personnel in one of its retail stores noticed that there was increasing concern regarding the potential toxicity of the materials in the dolls. In response, she found an economical, organic, and non-toxic cloth filling that the company could use. When her manager learned about this, he presented the prospect and got it approved from the top management team. This is an example of the:

- A. top-down strategic planning approach.
- B. planned emergence approach.
- C. scenario planning process.
- D. reverse engineering process.

This scenario exemplifies a planned emergence approach. A planned emergence is a strategy process in which organizational structure and systems allow bottom-up strategic initiatives to emerge and be evaluated and coordinated by top management. In the strategy-as-planned-emergence approach, strategic initiatives can come from anywhere within a firm.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 3 Hard

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence.
Topic: The Strategic Management Process

83. To support the rise of emergent strategies, an organization should:

- A. centralize decision-making and all other activities.
- B. empower lower-level employees to take up autonomous actions.
- C. limit serendipity that is in the form of random events and accidental happenstances.
- D. rely solely on hard data to formulate strategies.

Successful emergent strategies are sometimes the result of serendipity combined with autonomous actions of lower-level employees.

AACSB: Analytic
Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence.

Topic: The Strategic Management Process

84. Which of the following reasons justifies the view that functional managers should be allowed to initiate strategic initiatives based on autonomous actions?

- A. Functional managers have more control and power in the organization than corporate executives.
- B. Functional managers are much closer to the final products, services, and customers than corporate- or business-level managers.
- C. Functional managers have a bigger role in identifying a company's vision and mission than the strategic leaders.
- D. Functional managers are Level-5 managers in the Level-5 leadership pyramid when compared to the executives who are at Level-4.

Functional managers are much closer to the final products, services, and customers than corporate- or business-level managers. As a result, functional managers may initiate strategic initiatives based on autonomous actions that can influence the direction of the company.

AACSB: Analytic

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence.

Topic: The Strategic Management Process

85

In Strategy Highlight 2.2, what type of strategy did Diana, the Starbucks store manager in southern California, use to develop the new iced beverage for her store?

- A. She used a rational planning approach to strategy planning.
- B. She created a dominant strategy plan.
- C. She used scenario planning.
- D. She used an emergent strategy.

Functional managers like Diana, the Starbucks store manager featured in Strategy Highlight 2.2, are much closer to the final products, services, and customers than corporate- or business-level managers. As a result, functional managers may initiate strategic initiatives based on autonomous actions that can influence the direction of the company. An emergent strategy describes any unplanned strategic initiative undertaken by mid-level employees of their own volition. If successful, emergent strategies have the potential to influence and shape a firm's strategy.

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence.

Topic: The Strategic Management Process

86. Understanding the Resource Allocation Process (RAP) will have large effects on shaping a firm's realized strategy. Which of the following is an example of such an allocation of resources?

- A. Starbucks' launch of iced drinks
- B. Teach For America's mission statement
- C. Merck's voluntary withdrawal of Vioxx from the market
- D. Intel's rule to "maximize margin-per-wafer-start"

By changing the tasks the resources in the firm were working on at the middle and lower levels, Intel's decision to set up guidelines for production priorities yielded an emergent strategic shift into microprocessors and out of DRAM (dynamic random-access memory) chips. Intel was able to pursue a strategic transformation due to the way it set up its resource allocation process. In a sense, Intel was using functional-level managers to drive business and corporate strategies in a bottom-up fashion.

AACSB: Analytic

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence.

Topic: The Strategic Management Process

87. _____ is best described as a strategy process in which organizational structure and systems allow bottom-up strategic initiatives to emerge and be evaluated and coordinated by top management.

- A. Planned emergence
- B. Scenario planning
- C. Top-down strategic planning
- D. Reverse engineering

Taken together, a firm's realized strategy is frequently a combination of top-down strategic intent and bottom-up emergent strategies. This type of strategy process is called planned emergence. In that process, organizational structure and systems allow bottom-up strategic initiatives to emerge and be evaluated and coordinated by top management.

AACSB: Analytic

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence.

Topic: The Strategic Management Process

88. A company uses the planned emergence approach in the development of its strategies. Which of the following is an implication of this?

- A. The employees will be isolated from the process of setting the company's vision and mission.
- B. The lower-level employees will be restricted to the tasks involved in strategic implementation.
- C. The company's organizational structure and systems will be designed to support bottom-up strategic initiatives.
- D. The top management will create a strategy that is based on hard data alone, rather than an inspiring vision.

Taken together, a firm's realized strategy is frequently a combination of top-down strategic intent and bottom-up emergent strategies. This type of strategy process is called planned emergence. In that process, organizational structure and systems allow bottom-up strategic initiatives to emerge and be evaluated and coordinated by top management.

AACSB: Analytic

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence.

Topic: The Strategic Management Process

89. Top-down strategic planning as an approach to the strategic management process will be most effective when the:

- A. environment is constantly changing.
- B. size of the firm is large.
- C. probability of black swan events is high.
- D. top management wants to decentralize decision making.

In a slow-moving environment, top-down strategic planning might be the most effective approach. Besides the rate of change, a second dimension is firm size. Larger firms tend to use either a top-down strategic planning process or scenario planning.

*AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy*

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence.

Topic: Implications for the Strategist

90. Lower-level employees focus mainly on _____ when a firm is using top-down or scenario planning as an approach to the strategic management process.

- A. strategy formulation
- B. strategy analysis
- C. strategy implementation
- D. strategy initiation

Lower-level employees focus mainly on strategy implementation when a firm is using top-down or scenario planning.

*AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy*

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence.

Topic: Implications for the Strategist

Short Answer Questions

91. Define the strategic management process.

An effective strategic management process is the method put in place by strategic leaders to conceive and implement a strategy. It can lay the foundation for a sustainable competitive advantage.

To begin the strategic management process, strategic leaders ask the following questions:

- What do we want to accomplish ultimately? What is our vision?
- How do we accomplish our goals? What is our mission?
- What guardrails do we put in place to act ethically and legally as we pursue our vision and mission? What are our values?

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-01 Describe the roles of vision; mission; and values in the strategic management process.

Topic: Vision, Mission, and Values

92. Define strategic leadership and strategic commitments.

Strategic leadership pertains to executives' use of power and influence to direct the activities of others when pursuing an organization's goals.

To be effective, firms need to back up their visions and missions with strategic commitments, actions that are costly, long-term-oriented, and difficult to reverse.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-01 Describe the roles of vision; mission; and values in the strategic management process.

Topic: Vision, Mission, and Values

93. Why is it important for a business to have a vision?

A company's vision captures its aspiration. An effective vision pervades the organization with a sense of winning and motivates employees at all levels to aim for the same target, while leaving room for individual and team contributions. Employees in visionary companies tend to feel like part of something bigger than themselves. An inspiring vision helps employees find meaning in their work, beyond monetary rewards. It allows employees to experience a greater sense of purpose and taps into people's intrinsic motivations to make the world a better place through their work activities. This greater individual purpose can in turn lead to higher organizational performance. Basing actions on its vision, a firm will build the necessary resources and capabilities through continuous organizational learning, including learning from failure, to translate into reality what begins as a stretch goal. To provide meaning for employees in pursuit of the organization's ultimate goals, vision statements should be forward-looking and inspiring.

*AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy*

*Learning Objective: 02-01 Describe the roles of vision; mission; and values in the strategic management process.
Topic: Vision, Mission, and Values*

94. How does a mission statement differ from a firm's vision?

Vision is a statement about what an organization ultimately wants to accomplish; it captures the company's aspiration. Building on the vision, organizations establish a mission, which describes what an organization actually does—that is, the products and services it plans to provide, and the markets in which it will compete. Although the terms vision and mission are often used interchangeably, they are different: Vision defines what an organization wants to accomplish ultimately, and thus the goal can be described by the verb "to." In contrast, mission describes what an organization does; it defines the means "by" which vision is accomplished.

*AACSB: Analytic
Blooms: Understand
Difficulty: 2 Medium*

Learning Objective: 02-01 Describe the roles of vision; mission; and values in the strategic management process.

95. Explain product-oriented vision statements with the help of an example.

Student answers may vary.

A product-oriented vision defines a business in terms of a good or service provided. Product-oriented visions tend to force managers to take a myopic view of the landscape. An example of a product-oriented vision statement would be "We want to be the best manufacturer in the industry."

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-02 Evaluate the strategic implications of product-oriented and customer-oriented vision statements.

Topic: Vision, Mission, and Values

96. What are customer-oriented vision statements? Explain with the help of an example.

Student answers may vary.

A customer-oriented vision defines a business in terms of providing solutions to customer needs. For example, "We are in the business of providing solutions to professional communication needs."

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-02 Evaluate the strategic implications of product-oriented and customer-oriented vision statements.

Topic: Vision, Mission, and Values

97. Why is it better for firms to keep their vision statements customer-oriented rather than product-oriented?

Companies that have customer-oriented visions tend to be more flexible when adapting to changing environments. In contrast, companies that define themselves based on product-oriented statements tend to be less flexible and thus more likely to fail. The lack of an inspiring need-based vision can cause the long-range problem of failing to adapt to a changing environment.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-02 Evaluate the strategic implications of product-oriented and customer-oriented vision statements.

Topic: Vision, Mission, and Values

98. Comment on the statement "Customer-oriented visions do not define how a customer need will be met."

It is important not to confuse customer-oriented vision statements with listening to the customer. They are not the same thing. Customer-oriented visions identify a critical need but leave open the means of how to meet that need. It is critical not to define how a customer need will be met. The future is unknowable, and innovation may provide new ways to meet needs that are not fathomable today. Even if customer needs are unchanging, the means of meeting those needs can certainly change over time. An organization's vision should be flexible, to allow for change and adaptation.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-02 Evaluate the strategic implications of product-oriented and customer-oriented vision statements.

Topic: Vision, Mission, and Values

99. What are organizational values?

Organizational values are the ethical standards and norms that govern the behavior of individuals within a firm or organization. The values espoused by a company provide answers to the question, how do we accomplish our goals? They help individuals make choices that are both ethical and effective in advancing the company's goals.

*AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy*

Learning Objective: 02-03 Explain why anchoring a firm in ethical values is essential for long-term success

Topic: Vision, Mission, and Values

100. What functions do strong ethical values serve?

Strong ethical values have two important functions. First, they form a solid foundation on which a firm can build its vision and mission, and thus lay the groundwork for long-term success. Second, values serve as the guardrails put in place to keep the company on track when pursuing its vision and mission in its quest for competitive advantage.

*AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy*

Learning Objective: 02-03 Explain why anchoring a firm in ethical values is essential for long-term success

Topic: Vision, Mission, and Values

101 Why is it important for top management of a company to show commitment and involvement toward organizational values?

Without commitment and involvement from top managers, any statement of values remains merely a public relations exercise. Employees tend to follow values practiced by strategic leaders. They observe the day-to-day decisions of top managers and quickly decide whether managers are merely paying lip service to the company's stated values. True values must be lived with integrity, especially by the top management team. Unethical behavior by top managers is like a virus that spreads quickly throughout an entire organization. It is imperative that strategic leaders set an example of ethical behavior by living the values.

*AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy*

Learning Objective: 02-03 Explain why anchoring a firm in ethical values is essential for long-term success

Topic: Vision, Mission, and Values

102 Who demonstrates strategic leadership within organizations?

Executives whose vision and actions enable their organizations to achieve competitive advantage demonstrate strategic leadership—the behaviors and styles of executives that influence others to achieve the organization's vision and mission. Strategic leadership typically resides in executives who have overall profit-and-loss responsibility for an entire organization. These executives may be the CEO, or other members of the top-management team. Although the effect of strategic leaders varies across industries and time, they do matter to firm performance.

*AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy*

Learning Objective: 02-04 Outline how managers become strategic leaders.

Topic: Strategic Leadership

13. What does the upper-echelons theory propagate?

According to the upper-echelons theory, organizational outcomes including strategic choices and performance levels reflect the values of the top management team (the individuals at the upper echelons, or levels, of an organization). The theory states that executives interpret situations through the lens of their unique perspectives, shaped by personal circumstances, values, and experiences. Their leadership actions reflect characteristics of age, education, and career experiences, filtered through personal interpretations of the situations they face. The upper-echelons theory favors the idea that strong leadership is the result of both innate abilities and learning.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-04 Outline how managers become strategic leaders.

Topic: Strategic Leadership

14. Briefly describe the level-5 leadership pyramid.

The level-5 leadership pyramid is a conceptual framework that shows leadership progression through five distinct, sequential levels. According to the Level-5 leadership pyramid, effective strategic leaders go through a natural progression of five different levels. Each level builds upon the previous one; the manager can move on to the next level of leadership only when the current level has been mastered.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-04 Outline how managers become strategic leaders.

Topic: Strategic Leadership

15. Discuss how managers progress with each level in the level-5 leadership pyramid.

Characteristics of the five levels the leadership pyramid are:

- The Level-1 manager is a highly capable individual who makes productive contributions through motivation, talent, knowledge, and skills.
- The Level-2 manager masters the skills required at Level 1, but is also a contributing team member who works effectively with others to achieve synergies and team objectives.
- The Level-3 manager is a well-rounded and highly capable manager, who "does things right." He or she is an effective team player and organizes resources effectively to achieve predetermined goals.
- At Level 4, the effective Level-3 manager becomes a leader who determines what the right decisions are. The Level-4 manager effectively communicates a compelling vision and mission to guide the firm toward superior performance. He or she "does the right things."
- Finally, the Level-5 manager reaches a leadership pinnacle, turning into a strategic leader. An effective strategic leader is an executive that builds enduring greatness into the organizations he or she leads.

*AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy*

Learning Objective: 02-04 Outline how managers become strategic leaders.

Topic: Strategic Leadership

16. What does strategic formulation in strategic management process concern?

Strategy formulation concerns the choice of strategy in terms of where and how to compete. It is helpful to break down strategy formulation into three distinct areas: corporate, business, and functional.

*AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy*

Learning Objective: 02-05 Describe the roles of corporate; business; and functional managers in strategy formulation and implementation

107. What are the three areas of strategy formulation?

It is helpful to break down strategy formulation into three distinct areas: corporate, business, and functional:

- Corporate strategy concerns questions relating to where to compete (industry, markets, and geography).
- Business strategy concerns the question of how to compete (cost leadership, differentiation, or integration).
- Functional strategy concerns the question of how to implement business strategy.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-05 Describe the roles of corporate; business; and functional managers in strategy formulation and implementation

Topic: Strategic Leadership

108. Who formulates a company's corporate strategy? What is the objective of this strategy?

Corporate executives at headquarters formulate corporate strategy. Corporate executives need to decide in which industries, markets, and geographies their companies should compete. They need to formulate a strategy that can create synergies across business units that may be quite different, and determine the boundaries of the firm by deciding whether to enter certain industries and markets and whether to sell certain divisions. They are responsible for setting overarching strategic objectives and allocating scarce resources among different business divisions, monitoring performance, and making adjustments to the overall portfolio of businesses as needed. The objective of corporate-level strategy is to increase overall corporate value so that it is higher than the sum of the individual business units.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-05 Describe the roles of corporate; business; and functional managers in strategy formulation and implementation

Topic: Strategic Leadership

109. What is a strategic business unit (SBU)? Explain with an example.

Student answers may vary.

Business strategy occurs within strategic business units, or SBUs, the standalone divisions of a larger conglomerate, each with its own profit-and-loss responsibility. Companies can be organized on a geographic or a product basis to form SBUs.

An example of an SBU would be the automobile division of a large conglomerate that also manufactures and sells pharmaceuticals, apparel, consumer electronics, and other such products.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-05 Describe the roles of corporate; business; and functional managers in strategy formulation and implementation

Topic: Strategic Leadership

110. Who is responsible for strategic formulation at the SBU level?

General managers in SBUs must answer business strategy questions relating to how to compete in order to achieve superior performance. Within the guidelines received from corporate headquarters, they formulate an appropriate generic business strategy (cost leadership, differentiation, or integration) in their quest for competitive advantage.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-05 Describe the roles of corporate; business; and functional managers in strategy formulation and implementation

Topic: Strategic Leadership

11. Who is responsible for strategic formulation at functional levels in a business?

Within each strategic business unit are various business functions: accounting, finance, human resources, product development, operations, manufacturing, marketing, and customer service. Each functional manager is responsible for decisions and actions within a single functional area. These decisions aid in the implementation of the business-level strategy, made at the level above.

*AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy*

Learning Objective: 02-05 Describe the roles of corporate; business; and functional managers in strategy formulation and implementation

Topic: Strategic Leadership

12. Describe the traditional top-down strategic planning process.

In the traditional top-down strategic planning process, strategic planners first provide careful analyses of internal and external data and apply it to all quantifiable areas: prices, costs, margins, market demand, head count, and production runs. Five-year plans, revisited regularly, predict future sales based on anticipated future growth. Top executives tie the allocation of the annual corporate budget to the strategic plan and monitor ongoing performance accordingly. Based on a careful analysis of these data, top managers reconfirm or adjust the company's vision, mission, and values before formulating corporate, business, and functional strategies. Appropriate organizational structures and controls as well as governance mechanisms aid in effective implementation. In this process, the formulation of strategy is separate from implementation, and thinking about strategy is separate from doing it. Information flows one way only: top-down.

At times, strategic leaders impose their visions onto a company's strategy, structure, and culture from the top down in order to create and enact a desired future state.

*AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy*

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence.

113. What is the drawback in top-down strategic planning?

Top-down strategic planning rests on the assumption that the future can be predicted from the past. The approach works reasonably well when the environment does not change much. One major shortcoming of the strategic planning approach is that the future cannot be easily known. Strategic leaders' visions of the future can be downright wrong; unforeseen events can make even the most scientifically developed and formalized plans obsolete. Thus, many companies are now using a more flexible approach in their strategic management process.

AACSB: Analytic
Blooms: Understand
Difficulty: 2 Medium

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence.

Topic: The Strategic Management Process

114. What do you mean by scenario planning in the strategic management process?

Scenario planning asks those "what if" questions. Similar to top-down strategic planning, scenario planning also uses a rational, scientific approach to the strategy process. In addition, in scenario planning managers envision different scenarios, to anticipate plausible futures. For example, new laws might restrict carbon emissions or expand employee health care. Demographic shifts may alter the ethnic diversity of a nation; changing tastes or economic conditions will affect consumer behavior. How would any of these changes affect a firm, and how should it respond? Scenario planning takes place at both the corporate and business levels of strategy. Typical scenario planning addresses both optimistic and pessimistic futures.

AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence.

Topic: The Strategic Management Process

What makes scenario planning more flexible than top-down strategic planning?

Similar to top-down strategic planning, scenario planning also uses a rational, scientific approach to the strategy process. In addition, in scenario planning managers envision different scenarios, to anticipate plausible futures. The goal in scenario planning is to create strategic plans that are more flexible, and thus more effective, than those created through the more static strategic planning approach.

The circular nature of the scenario-planning model allows for continuous interaction among analysis, formulation, and implementation. Through this interactive process, managers can adjust and modify their actions as new realities emerge. The interdependence among analysis, formulation, and implementation also enhances organizational learning and flexibility.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence.

Topic: The Strategic Management Process

Briefly discuss the stages of scenario planning.

Scenario planning can be explained with the help of the AFI strategy framework.

- In the analysis stage, managers brainstorm to identify possible future scenarios. Input from several different hierarchies within the organization and from different functional areas such as R&D, manufacturing, and marketing and sales is critical. Managers may also attach probabilities (highly likely versus unlikely, or 85 percent likely versus 2 percent likely) to different future states.
- In the formulation stage in scenario planning, management teams develop different strategic plans to address possible future scenarios. This kind of what-if exercise forces managers to consider contingency plans before events occur. Each plan relies on an entire set of analytical tools. They capture the firm's internal and external environments and answer several key questions. By formulating responses to the varying scenarios, managers build a portfolio of future options. Finally, they transform the most viable options into full-fledged, detailed strategic plans that can be activated and executed as needed.
- In the implementation stage, managers execute the dominant strategic plan, the option that top managers decide most closely matches the current reality which is then executed. If the situation changes, managers can quickly retrieve and implement any of the alternate plans developed in the formulation stage. The firm's subsequent performance in the marketplace gives managers real-time feedback about the effectiveness of the dominant strategic plan. If performance feedback is positive, managers continue to pursue the dominant strategic plan, fine-tuning it in the process. If performance feedback is negative, or if reality changes, managers consider whether to modify further the dominant strategic plan in order to enhance firm performance, or to activate an alternative strategic plan.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence.

Topic: The Strategic Management Process

117.

What are the arguments against top-down strategic planning and scenario planning?

Critics of top-down and scenario planning argue that strategic planning is not the same as strategic thinking. In fact, they argue the strategic planning processes are often too regimented and confining. As such, they do not allow for the necessary strategic thinking. Managers doing strategic planning may also fall prey to an illusion of control—that is, the hard numbers in a strategic plan can convey a false sense of security. According to critics of strategic planning, in order to be successful, a strategy should be based on an inspiring vision and not on hard data alone. They advise that managers should focus on all types of information sources, including soft sources that can generate new insights, such as personal experience or the experience of front-line employees.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence.

Topic: The Strategic Management Process

118.

Differentiate between a firm's intended, realized, and emergent strategies.

Top-level executives design an intended strategy—the outcome of a rational and structured, top-down strategic plan. A firm's realized strategy is generally a combination of its top-down strategic intentions and bottom-up emergent strategy. An emergent strategy describes any unplanned strategic initiative undertaken by mid-level employees of their own volition. If successful, emergent strategies have the potential to influence and shape a firm's strategy.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence.

Topic: The Strategic Management Process

19.

List the methods through which strategic initiative can bubble up within an organization.

In particular, strategic initiatives can bubble up from deep within a firm through:

- Autonomous actions by lower-level employees
- Serendipity (random events, pleasant surprises, accidental happenstances)
- The resource allocation process (RAP)

Successful emergent strategies are sometimes the result of serendipity combined with autonomous actions of lower-level employees. Also, bottom-up strategies can also emerge as a consequence of the firm's resource allocation process (RAP). The way a firm allocates its resources can be critical in shaping its realized strategy.

*AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy*

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence.

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20.

Discuss how strategic initiatives can bubble up from deep within a firm through autonomous actions by lower-level employees.

Lower-level or functional managers are much closer to the final products, services, and customers than corporate- or business-level managers. As a result, functional managers may initiate strategic initiatives based on autonomous actions that can influence the direction of the company. To be successful, however, top-level executives need to support emergent strategies that they believe fit with the firm's vision and mission.

*AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy*

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Topic: The Strategic Management Process

- 21 Discuss the role top management teams play in a planned emergence model of strategic management.

Although emergent strategies can arise from anywhere in a firm, it is important to emphasize the role that top management teams play in this type of strategy process. In the strategy-as-planned-emergence approach, executives need to decide which of the bottom-up initiatives to pursue and which to shut down. This critical decision is made on the basis of whether the strategic initiative fits with the company's vision and mission, and whether it provides an opportunity worth exploiting.

*AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy*

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence.

Topic: The Strategic Management Process

- 22 What do you mean by planned emergence?

A firm's realized strategy is frequently a combination of top-down strategic intent and bottom-up emergent strategies. This type of strategy process is called planned emergence. In that process, organizational structure and systems allow bottom-up strategic initiatives to emerge and be evaluated and coordinated by top management.

*AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy*

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence.

Topic: The Strategic Management Process

23. What are the ingredients required by a firm to gain and sustain a competitive advantage?

Two ingredients are needed to create a powerful foundation upon which to formulate and implement a strategy in order to gain and sustain a competitive advantage: First, the firm needs an inspiring vision and mission backed up by ethical values. Second, the firm needs an effective strategic management process.

*AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy*

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence.

Topic: Implications for the Strategist

24. Discuss the situations in which top-down strategic planning might be the most effective approach.

In a slow-moving environment, top-down strategic planning might be the most effective approach. Besides the rate of change, a second dimension is firm size. Larger firms tend to use either a top-down strategic planning process or scenario planning.

*AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy*

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence.

Topic: Implications for the Strategist

Discuss the role of lower-level employees in the strategy-as-planned-emergence approach.

In planned emergence, employees should be involved in setting an inspiring vision and mission to create more meaningful work. Belief in a company's vision and mission motivates its employees. Moreover, every employee plays a strategic role. Lower-level employees focus mainly on strategy implementation when a firm is using top-down or scenario planning. Any employee (even at the entry level) can have great ideas that might become strategic initiatives with the potential to transform companies. Thus, in the planned emergence process, organizational structure and systems should allow bottom-up strategic initiatives to emerge.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-06 Evaluate top-down strategic planning; scenario planning; and strategy as planned emergence.

Topic: Implications for the Strategist