

Questions Chapter 2
Understanding and Analyzing the General Environment
and the Health Care Environment

True/False Questions

Question title	Question stem	Choice	Difficulty 1 Easy 2 Medium 3 Hard	Reference	Topic
TF02.01	In the current health care industry environment, a multitude of interests are directly or indirectly involved in the delivery of health care.	T	1	The Importance of Environmental Influences	External environment
TF02.02	Strategic thinking is directed toward positioning the organization most effectively within its changing external environment.	T	1	The Importance of Environmental Influences	External environment, strategic thinking
TF02.03	In order to be successful, health care organization leaders do not have to develop an understanding of the external environment in which they operate.	F	1	The Importance of Environmental Influences	External environment
TF02.04	Institutions that anticipate and recognize significant external forces and modify their strategies and operations accordingly will prosper.	T	1	The Importance of Environmental Influences	External environment
TF02.05	Regulations about the privacy of medical records are examples of legislative/political external issues.	T	1	Evolving External Issues	External environment, regulation
TF02.06	Increasing automation of basic business processes, clinical information interfaces, data analysis, and telehealth are NOT examples of technological changes.	F	1	Evolving External Issues	External environment, technology
TF02.07	Cost pressures and intensified competition will NOT lead to further consolidation within the health care industry.	F	2	Evolving External Issues	External environment, competition
TF02.08	A PPO (preferred provider organization) is an entity through which various health plans or carriers contract to purchase health care services for patients from a selected group of providers, typically at a better per-patient cost.	T	2	The Changing Language of Health Care	Organizations

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TF02.09	Environmental analysis is largely strategic thinking and strategic planning and consists of understanding the issues in the external environment to determine the implications of those issues for the organization.	T	2	The External Nature of Strategic Management	Environmental analysis, strategic thinking, strategic planning
TF02.10	Effective environmental analysis occurs through strategic thinking.	T	1	The External Nature of Strategic Management	Strategic thinking
TF02.11	External environmental analysis does not inform the analysis of the internal environment.	F	2	Determining the Need for Environmental Analysis	External environmental analysis, internal environmental analysis
TF02.12	A “visionary” is a strategic manager who detects the signs of change and explores the significance of change before it becomes apparent to others.	T	1	Determining the Need for Environmental Analysis	External environmental analysis
TF02.13	One of the specific goals of environmental analysis is to detect and analyze early or weak signals of emerging issues and changes that will affect the organization.	T	3	The Goals of Environmental Analysis	External environmental analysis
TF02.14	Environmental analysis can accurately foretell the future.	F	1	The Limitations of Environmental Analysis	External environmental analysis
TF02.15	Comprehensive and well-organized environmental analysis processes will detect all of the changes taking place in the external environment.	F	2	The Limitations of Environmental Analysis	External environmental analysis
TF02.16	The organization itself may be affected directly by the legislative/political, economic, social/demographic, technological, and competitive change initiated and fostered by organizations in the general environment.	T	2	Components of the General Environment	General environment, change

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TF02.17	Organizations and individuals within the health care environment develop and employ new technologies, deal with changing social and demographic issues, address legislative and political change, compete with other health care organizations, and participate in the health care economy.	T	2	Components of the Health Care Environment	Environmental analysis
TF02.18	Strategic issues are trends, developments, dilemmas, and possible events that affect an organization and its position within its environment.	T	1	Scanning the External Environment	Environmental analysis, scanning
TF02.19	Environmental scanning is perhaps the least important part of environmental analysis.	F	1	Scanning the External Environment	Environmental analysis, scanning
TF02.20	The monitoring function is the tracking of issues identified in the scanning process.	T	1	Monitoring the External Environment	Environmental analysis, monitoring
TF02.21	Forecasting environmental change is a process of extending the trends, developments, dilemmas, and events that the organization is monitoring.	T	1	Forecasting Environmental Change	Environmental analysis, forecasting
TF02.22	The Delphi method is the development, evaluation, and synthesis of individual points of view through the systematic solicitation and collation of individual judgments on a particular topic.	T	2	Environmental Analysis Tools and Techniques	External environmental analysis, Delphi method
TF02.23	A brainstorming group is convened for the purpose of understanding an issue, assessing the impact of an issue on the organization, or generating strategic alternatives. In this process, members present ideas and are allowed to clarify them with brief explanations.	T	2	Environmental Analysis Tools and Techniques	External environmental analysis, brainstorming
TF02.24	Dialectic inquiry is a "conflict resolution" process of argumentation.	F	3	Environmental Analysis Tools and Techniques	External environmental analysis, dialectic inquiry

Question title	Question stem	Choice	Difficulty 1 Easy 2 Medium 3 Hard	Reference	Topic
TF02.25	Once strategic management is adopted as the operating philosophy of managing, strategic thinking, strategic planning, and managing the strategic momentum require frequent validation of the strategic assumptions to determine whether issues in the external environment have changed and to what extent.	T	2	Managing Strategic Momentum – Validating the Strategic Assumptions	External environmental analysis, strategic thinking, strategic planning, validating strategic assumptions

Multiple Choice Questions

Question title	Question stem	Selections	Choice	Difficulty 1 Easy 2 Medium 3 Hard	Reference	Topic
MC02.01	Health care organizations DO NOT have to cope with change in which of the following areas:	a- Competitive. b- Economic. c- Weather. d- Legislative/political.	c	1	Evolving External Issues	Change
MC02.02	The fundamental nature of strategic management requires the awareness and understanding of outside forces and encourages strategic managers to:	a- Adopt new ideas. b- Maintain receptivity to new ways of doing things. c- Expose themselves to a broad view. d- All of the above.	d	2	The External Nature of Strategic Management	Environmental analysis
MC02.03	A successful health care organization must:	a- Wait until a crisis arises to react. b- Ignore the external environment. c- Anticipate and respond to the significant shifts taking place within the environment. d- Focus on crisis management.	c	1	The Importance of Environmental Influences	External environment
MC02.04	Organizations will find themselves out of touch with the needs of the market when they:	a- Fail to anticipate change. b- Ignore external forces. c- Resist change. d- All of the above.	d	1	The Importance of Environmental Influences	External environment
MC02.05	The Center for Medicare and Medicaid Services (CMS) is:	a- A health maintenance organization (HMO). b- Part of the US Department of Health and Human Services. c- A regulator of certificate of need (CON) laws. d- A provider of electronic medical record (EMR) services.	b	3	The Changing Language of Health Care	Government agencies

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MC02.06	An example of a question that IS NOT relevant to determining if a health care organization needs environmental analysis is:	<ul style="list-style-type: none"> a- Have previous strategic plans been scrapped because of unexpected changes in the environment? b- How large is the strategic planning staff and what is its budget? c- Is competition growing in the industry? d- Do more and different kinds of external forces seem to be influencing decisions, and does there seem to be more interplay between them? 	b	2	Determining the Need for Environmental Analysis	Environmental analysis
MC02.07	One of the specific goals of environmental analysis is:	<ul style="list-style-type: none"> a- To measure organizational efficiency. b- To develop a list of "one-word" descriptions of the external environment. c- To ignore minor competitors. d- To provide organized information for the development of the organization's internal analysis, mission, vision, values, goals, and strategy. 	d	3	The Goals of Environmental Analysis	External environmental analysis
MC02.08	Which of the following is an example of a societal change that may affect the success or failure of health care organizations?	<ul style="list-style-type: none"> a- Changes in consumer attitudes and expectations about health care. b- Health care reform. c- Increasing use of electronic medical records (EMR). d- Patent expirations of brand-name drugs. 	a	2	Components of the General Environment	External environmental analysis, change
MC02.09	The four fundamental processes of environmental analysis are:	<ul style="list-style-type: none"> a- Asserting, seeing, seeking, and meeting. b- Thinking, planning, checking, and doing. c- Scanning, monitoring, forecasting, and assessing. d- Detecting, guessing, measuring, and implementing. 	c	2	The Process of Environmental Analysis	External environmental analysis, change
MC02.10	The Delphi method is an example of which environmental analysis framework:	<ul style="list-style-type: none"> a- Dialectic inquiry. b- Scenario writing and future studies. c- Simple issue identification and extrapolation. d- Solicitation of expert opinion. 	d	3	Environmental Analysis Tools and Techniques	External environmental analysis, Delphi method

Short Essay Questions

Question title	Question stem	Rationale	Difficulty 1 Easy 2 Medium 3 Hard	Reference	Topic
SE02.01	What are some of the practical limitations of environmental analysis?	The limitations of environmental analysis include: environmental analysis cannot foretell the future, managers cannot see everything, sometimes pertinent and timely information is difficult or impossible to obtain, there may be delays between the occurrence of external events and management's ability to interpret them, there is a general inability on the part of the organization to respond quickly enough to take advantage of the issue detected, and managers' strongly held beliefs sometimes inhibit them from detecting issues or interpreting them rationally.	2	The Limitations of Environmental Analysis	External environmental analysis
SE02.02	Provide at least two examples of changes in the general environment affecting multiple industry environments (sectors of the economy).	Passage of the prescription drug bill during the George W. Bush presidency affected a variety of organizations as well as individuals including insurance companies, organizations representing the elderly, and retirees. Similarly, the early health care reform initiatives of the Clinton administration to create a national health care system would have affected virtually all institutions in the general environment, not just health care organizations.	3	Components of the General Environment	External environmental analysis, change
SE02.03	Identify and provide an example of the five segments of the health care system.	The health care system may generally be grouped into five segments: (1) organizations that regulate primary and secondary providers; example – US Department of Health and Human Services (HHS); (2) organizations that provide health services (primary providers); example – state departments of health; (3) organizations that provide resources for the health care system (secondary providers); example – educational institutions; (4) organizations that represent the primary and secondary providers; example – the American Medical Association (AMA); and (5) individuals involved in health care and patients (consumers of health care services); example – nurses.	3	Components of the Health Care Environment	External environmental analysis, change, industry segments

Question title	Question stem	Rationale	Difficulty 1 Easy 2 Medium 3 Hard	Reference	Topic
SE02.04	Discuss the process of assessing environmental change.	Assessing environmental change is a process that is largely non-quantifiable and therefore judgmental. The assessment process includes evaluation of the significance of the extended (forecasted) issue on the organization; identification of the issues that must be considered in the internal analysis; development of the vision and mission; and formulation of the strategic plan. However, even when exposed to identical issues, different managers may interpret their meaning quite differently. Interpretations are a result of a variety of factors including perceptions, values, past experiences, and context.	2	Assessing Environmental Change	External environmental analysis, change, assessing environmental change