Essentials of Strategic Management, 6e **(Gamble)**
Chapter 2   Strategy Formulation, Execution, and Governance

1) Which one of the following is *not* one of the five stages of an ongoing, continuous strategic management process?
A) Developing a strategic vision of what the company's future direction and focus needs to be
B) Developing a sustainable business model
C) Crafting a strategy to advance the company along the path that management has charted and achieve its performance objectives
D) Setting objectives to measure progress toward achieving the strategic vision
E) Executing the chosen strategy efficiently and effectively

2) Which of the following is an integral part of the managerial process of crafting and executing strategy?
A) Developing a proven business model
B) Setting objectives and using them as yardsticks for measuring the company's performance and progress
C) Deciding how much of the company's resources to employ in the pursuit of sustainable competitive advantage
D) Communicating the company's mission and purpose to all employees
E) Deciding on the composition of the company's board of directors

3) Which of the following are integral parts of the managerial process of crafting and executing strategy?
A) Deciding on the company's strategic intent, setting financial objectives, crafting a strategy, and choosing what business approaches and operating practices to employ
B) Developing a proven business model, deciding on the company's strategic intent, and crafting a strategy
C) Setting objectives, crafting a strategy, implementing and executing the chosen strategy, and deciding how much of the company's resources to employ in the pursuit of a sustainable competitive advantage
D) Coming up with a statement of the company's mission and purpose, setting objectives, choosing what business approaches to employ, selecting a business model, and monitoring developments
E) Developing a strategic vision, setting objectives, crafting a strategy, and initiating corrective adjustments

4) When companies adopt the strategy formulation, strategy execution process, the first step is to
A) monitor internal and external developments and initiate corrective adjustments to the business model when necessary.
B) adopt a proven business model, decide on the company's top management team, and craft a strategy.
C) execute the company's chosen strategy efficiently and effectively.
D) set objectives and develop a profitable business model to meet those objectives.
E) develop a strategic vision, mission, and values.

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5) The strategic management process is shaped by
A) management's strategic vision, strategic and financial objectives, and strategy.
B) the decisions made by the compensation and audit committees of the board of directors.
C) external factors such as the industry's economic and competitive conditions and internal factors such as the company's collection of resources and capabilities.
D) a company's customer value proposition and profit formula.
E) actions to strengthen competitive capabilities and correct weaknesses, actions to strengthen market standing and competitiveness by acquiring or merging with other companies, and actions to enter new geographic or product markets.

6) Which of the following questions is *not* pertinent to company managers in thinking strategically about what directional path should be taken by the company and about developing a strategic vision?
A) What business approaches and operating practices should we consider in trying to implement and execute our business model?
B) Is the outlook for the company promising if it continues with its present product offerings?
C) What strategic course offers attractive opportunity for growth and profitability?
D) What, if any, new customer groups and/or geographic markets should the company get in position to serve?
E) Are changing market and competitive conditions acting to enhance or weaken the company's prospects?

7) The strategic management process is shaped by
A) management's strategic vision, strategic and financial objectives, and strategy.
B) the decisions made by the compensation and audit committees of the board of directors.
C) external factors such as the industry's economic and competitive conditions and internal factors such as the company's collection of resources and capabilities.
D) a company's customer value proposition and profit formula.
E) actions to strengthen competitive capabilities and correct weaknesses, actions to strengthen market standing and competitiveness by acquiring or merging with other companies, and actions to enter new geographic or product markets.

8) When a company is confronted with significant industry change that mandates radical revision of its strategic course, the company is said to have encountered a(n)
A) learning and growth perspective.
B) strategic inflection point.
C) strategic roadblock.
D) new strategic opportunity.
E) opportunity for corporate entrepreneurship.

9) A company's strategic plan consists of
A) its balanced scorecard and its business model.
B) a vision of where it is headed, a set of performance targets, and a strategy to achieve them.
C) its strategy and management's specific, detailed plans for implementing it.
D) a company's plans for improving value-creating internal processes.
E) a strategic vision, a strategy, and a business model.

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10) The strategy formulation, strategy execution process
A) is usually delegated to members of a company's board of directors so as not to infringe on the time of busy executives.
B) includes establishing a company's mission, developing a business model aimed at making the company an industry leader, and crafting a strategy to implement and execute the business model.
C) embraces the tasks of developing a strategic vision, setting objectives, crafting a strategy, implementing and executing the strategy, and then monitoring developments and initiating corrective adjustments in light of experience, changing conditions, and new opportunities.
D) is principally concerned with sizing up an organization's internal and external situation, so as to be prepared for the challenge of developing a sound business model.
E) is primarily the responsibility of top executives and the board of directors; very few managers below this level are involved.

11) A company's strategic vision concerns
A) a company's directional path and future product-customer-market-technology focus.
B) why the company does certain things in trying to please its customers.
C) management's story line of how it intends to make a profit with the chosen strategy.
D) "who we are and what we do."
E) what future actions the enterprise will likely undertake to outmaneuver rivals and achieve a sustainable competitive advantage.

12) Management's strategic vision for an organization
A) charts a strategic course for the organization ("where we are going") and outlines the company's future product-customer-market-technology focus.
B) describes in fairly specific terms the organization's business model, strategic objectives, and strategy.
C) spells out how the company will become a big moneymaker and boost shareholder value.
D) addresses the critical issue of "why our business model needs to change and how we plan to change it."
E) spells out the organization's strategic moves that will be undertaken to achieve competitive advantage.

13) Top management's views about where the company is headed and what its future product-customer-market-technology will be
A) indicates what kind of business model the company is going to have in the future.
B) constitutes the strategic vision for the company.
C) signals what the firm's strategy will be.
D) serves to define the company's mission.
E) indicates what the company's long-term strategic plan is.

14) Which one of the following is *not* an accurate attribute of an organization's strategic vision?
A) Providing a clearly articulated view of "where we are going"
B) Describing the company's future product-customer-market-technology focus
C) Pointing an organization in a particular direction and charting a strategic path for it to follow
D) Providing managers with a reference point for making strategic decisions
E) Specifying how the company intends to implement and execute its business model

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15) Well-conceived visions are
A) vague and indefinite, to allow room for a company to change its direction.
B) generic to many organizations.
C) primarily consists of feel-good statements about the company's past history.
D) innocuous one-sentence statements.
E) a reference point for managers in making strategic decisions.

16) Which of the following are characteristics of an effectively worded strategic vision statement?
A) Graphic, directional, and focused
B) Challenging, competitive, and set in concrete
C) Balanced, responsible, and rational
D) Realistic, customer-focused, and market-driven
E) Achievable, profitable, and ethical

17) Which one of the following is *not* a characteristic of an effectively worded strategic vision statement?
A) Directional (is forward-looking, describes the strategic course that management has charted and the kinds of product-market-customer-technology changes that will help the company prepare for the future)
B) Easy to communicate (is explainable in 10 to 15 minutes, can be reduced to a memorable slogan)
C) Graphic (paints a picture of the kind of company management is trying to create and the market position or positions the company is striving to stake out)
D) Consensus-driven (commits the company to a "mainstream" directional path that most stakeholders will enthusiastically support)
E) Focused (is specific enough to provide guidance to managers in making decisions and allocating resources)

18) Which of the following is *not* a common shortcoming of company vision statements?
A) Vague or incomplete—short on specifics
B) Focused and narrow—exclusive to a specific direction
C) Bland or uninspiring
D) Not distinctive—could apply to almost any company (or at least several others in the same industry)
E) Too reliant on superlatives (best, most successful, recognized leader, global or worldwide leader, first choice of customers)

19) Which of the following are common shortcomings of company vision statements?
A) Too broad, vague or incomplete, bland/uninspiring, not distinctive, and too reliant on superlatives
B) Unrealistic, unconventional, and unprofessional
C) Too specific, too inflexible, and cannot be achieved in five years
D) Too broad, too narrow, and too risky
E) Not customer-driven, out-of-step with emerging technological trends, and too ambitious

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20) Effectively communicating the strategic vision down the line to lower-level managers and employees has the value of
A) not only explaining "where we are going and why" but, more importantly, also inspiring and energizing company personnel to unite to get the company moving in the intended direction.
B) helping company personnel understand why making a profit is so important.
C) making it easier for top executives to set strategic objectives.
D) helping lower-level managers and employees better understand the company's business model.
E) All of these choices are correct.

21) A benefit of a vivid, engaging, and convincing strategic vision is
A) avoiding the need for consensus in support of top management's own view about the company's long-term direction.
B) increasing risk of rudderless decision making by managers at all levels of the organization.
C) creating debate among company personnel behind managerial efforts to get the company moving in the intended direction.
D) helping an organization prepare for to make short-term moves in the marketplace.
E) providing a beacon for lower-level managers in forming departmental missions.

22) A company's mission statement typically addresses which of the following questions?
A) Who are we, what do we do, and why are we here?
B) What objectives and level of performance do we want to achieve?
C) Where are we going, and what should our strategy be?
D) What approach should we take to achieve sustainable competitive advantage?
E) Why have we chosen a particular business model to achieve our objectives and our vision?

23) Ideally, a company's mission statement should be sufficiently descriptive and
A) provide scant indication of a company's services and products that give the company its own identity.
B) identify the pressing agenda items for members of its board of directors.
C) specify the allocation of resources that underlie the basis of its competitive advantage.
D) relate to the future state of the organization that managers seek to attain.
E) identify the specific customer or market that the company intends to serve.

24) The difference between the concept of a company mission statement and the concept of a strategic vision is that
A) a mission statement typically concerns a company's present business scope ("who we are and what we do"), whereas the principal concern of a strategic vision is with the company's future business scope (long-term direction and future product-customer-market-technology focus).
B) the mission is to make a profit, whereas a strategic vision concerns how to attract customers.
C) a mission statement deals with what to accomplish on behalf of shareholders and a strategic vision concerns what to accomplish on behalf of customers.
D) a mission statement concerns what to do to achieve short-run objectives and a strategic vision concerns what to do to achieve long-run performance targets.
E) a mission statement deals with "where we are headed," whereas a strategic vision provides the critical answer to "how will we get there."

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25) A company's values concern
A) whether and to what extent it intends to operate in an ethical and socially responsible manner.
B) how aggressively it will seek to maximize profits and enforce high ethical standards.
C) the beliefs and operating principles built into the company's "balanced scorecard" for measuring performance.
D) the beliefs, traits, and behavioral norms that company personnel are expected to display in conducting the company's business and pursuing its strategic vision and mission.
E) the beliefs, principles, and ethical standards that are incorporated into the company's strategic intent and business model.

26) A company's values relate to such things as
A) how it will balance its pursuit of financial objectives against the pursuit of its strategic objectives.
B) how it will balance the pursuit of its business purpose/mission against the pursuit of its strategic vision.
C) fair treatment, integrity, ethical behavior, innovativeness, teamwork, top-notch quality, superior customer service, social responsibility, and community citizenship.
D) whether it will emphasize stock price appreciation or higher dividend payments to shareholders, and whether it will put more emphasis on the achievement of short-term performance targets or long-range performance targets.
E) All of these choices are correct.

27) A company's core values typically do *not* include such things as
A) entrepreneurial spirit, excellent customer service, and building shareholder value.
B) giving back to the community, doing the right thing, and entrepreneurial spirit.
C) fair treatment, integrity, ethical behavior, innovativeness, and teamwork.
D) top-notch quality, superior customer service, social responsibility, and community citizenship.
E) minimizing innovation, rewarding individuality, and setting financial performance targets.

28) The primary managerial purpose of setting objectives is to
A) ensure that deliberately vague language such as "reducing costs" and "becoming more efficient" is used to provide managers with more latitude in setting stretch objectives for the company.
B) designate strategic outcomes as lagging indicators.
C) balance the scorecard of financial and strategic objectives.
D) designate financial outcomes as leading indicators.
E) convert the strategic vision into specific performance targets.

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29) A company needs financial objectives
A) to overtake key competitors on such important measures as net profit margins and return on investment.
B) because without adequate profitability and financial strength, the company's ultimate survival is jeopardized.
C) to indicate to employees that financial objectives always take precedence over strategic objectives.
D) to convince shareholders that top management is acting in their interests.
E) to translate the company's business model into action items.

30) Strategic objectives
A) are more essential in achieving a company's strategic vision than are financial objectives.
B) are generally less important than financial objectives.
C) are more difficult to achieve and harder to measure than financial objectives.
D) relate to strengthening a company's overall market standing and competitive vitality.
E) help managers track an organization's true progress better than do financial objectives.

31) A balanced scorecard for measuring company performance
A) entails putting equal emphasis on financial and strategic objectives.
B) entails striking a balance between financial objectives and strategic objectives.
C) balances the drive for profits with social responsibility obligations.
D) prevents the drive for achieving strategic objectives from overwhelming the pursuit of financial objectives.
E) entails creating a set of financial objectives balanced among profitability measures and liquidity measures.

32) A balanced scorecard that includes both strategic and financial performance targets is a conceptually strong approach for judging a company's overall performance because
A) financial performance measures are lagging indicators that reflect the results of past decisions and organizational activities, whereas strategic performance measures are leading indicators of a company's future financial performance.
B) it entails putting equal emphasis on good strategy execution and good business model execution.
C) a balanced scorecard approach pushes managers to avoid setting objectives that reflect the results of past decisions and organizational activities, and, instead, to set objectives that will serve as leading indicators of a company's future financial performance.
D) it assists managers in putting roughly equal emphasis on short-term and long-term performance targets.
E) it more or less forces managers to put equal emphasis on financial and strategic objectives.

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33) Why should long-run objectives take precedence over short-run objectives?
A) The focus is placed on improving performance in the near term.
B) Long-run objectives are necessary for achieving long-term performance and stand as a barrier to undue focus on short-term results.
C) Long-run objectives will satisfy shareholder expectations for progress.
D) Long-run objectives will force the company to deliver performance improvement in the current period.
E) None of these are correct.

34) Well-stated objectives are
A) succinct and concise so as to identify the company's risk and return options.
B) representative of customers' aspirations for company performance.
C) directly related to the dividend payout ratio for stockholder returns.
D) broad and take into account views of all the stakeholders.
E) specific, quantifiable or measurable, and challenging, and contain deadlines for achievement.

35) Company objectives
A) are needed only on a companywide basis related to a company's short-term and long-term profitability.
B) need to be broken down into performance targets for each of its separate businesses, product lines, functional departments, and individual work units.
C) play the important role of establishing the direction in which the company needs to be headed.
D) are important because they help guide managers in deciding what the company's strategy map should look like.
E) should be set in a manner that does not conflict with the performance targets of lower-level organizational units.

36) A company needs performance targets or objectives
A) for its operations as a whole and for each of its separate businesses, product lines, functional departments, and individual work units.
B) because they provide parameters for the company's strategy map.
C) to unify the company's strategic vision and business model.
D) to help guide managers in deciding what strategic path to take in the event that a strategic inflection point is encountered.
E) to prevent lower-level organizational units from establishing their own objectives.

37) Which of the following is the best example of a well-stated financial objective?
A) Gradually boost market share from 10 percent to 15 percent over the next several years.
B) Achieve lower costs than any other industry competitor.
C) Boost revenues by a percentage margin greater than the industry average.
D) Increase earnings per share by 15 percent annually.
E) Maximize total company profits and return on investment.

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38) The task of stitching together a strategy
A) entails addressing a series of "hows": how to grow the business, how to please customers, how to outcompete rivals, how to respond to changing market conditions, and how to achieve strategic and financial objectives.
B) is primarily an exercise in deciding which of several freshly emerging market opportunities to pursue.
C) should be dictated by what is comfortable to management from a risk perspective and what is acceptable in terms of capital requirements.
D) requires trying to copy the strategies of industry leaders as closely as possible.
E) is mainly an exercise in good planning.

39) Crafting strategy requires
A) a collaborative effort that includes managers in various position at various organizational levels.
B) executive management involvement only.
C) participation by all employees.
D) a collaborative effort between the CEO and board members only.
E) All of these choices are correct.

40) Corporate strategy
A) is primarily concerned with strengthening a company's market position and building competitive advantage.
B) is subject to being changed much less frequently than either a company's objectives or its mission statement.
C) should be based on a flexible strategic vision and mission.
D) ensures consistency in strategic approach among businesses of a diversified, multibusiness corporation.
E) determines balanced scorecard financial and strategic objectives.

41) Business strategy concerns
A) strengthening the company's market position and building competitive advantage.
B) ensuring consistency in strategic approach among the businesses of a diversified company.
C) selecting a business model to use in pursuing business objectives.
D) selecting a set of financial and strategic objectives for a particular line of business.
E) choosing appropriate internal business processes for a specific line of business.

42) In a single-business company, the strategy-making hierarchy consists of
A) business strategy, divisional strategies, and departmental strategies.
B) business strategy, functional strategies, and operating strategies.
C) business strategy and operating strategy.
D) managerial strategy, business strategy, and divisional strategies.
E) corporate strategy, divisional strategies, and departmental strategies.

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43) Functional strategies
A) specify what actions a company should take to resolve specific strategic issues and problems.
B) concern the actions, approaches, and practices related to particular functions or processes within a business.
C) are concerned with how to unify the firm's several different operating strategies into a cohesive whole.
D) are normally crafted by the company's CEO and other senior executives.
E) are normally crafted by operating-level managers.

44) Functional area strategies
A) are concerned with how to unify the firm's several different operating strategies into a cohesive whole.
B) specify how to build and strengthen the skills, expertise, and competencies needed to execute operating-level strategies successfully.
C) support and add power to the corporate-level strategy.
D) concern the actions, approaches, and practices to be employed in managing particular functions within a business.
E) are normally crafted by operating-level managers.

45) Operating strategies concern
A) what the firm's operating departments are doing to unify the company's functional and business strategies.
B) the specific plans for building competitive advantage in each major department and operating unit.
C) the relatively narrow strategic initiatives and approaches for managing key operating units within a business and for performing strategically significant operating tasks.
D) how best to carry out the company's corporate strategy.
E) how best to implement and execute the company's different business-level strategies.

46) Operating strategies primarily entail
A) how best to implement and execute the company's different business-level strategies.
B) how best to carry out the company's corporate strategy.
C) how best to manage initiatives of strategic significance within each functional area.
D) the specific plans for building competitive advantage in each major department and operating unit.
E) what the firm's operating departments are doing and how they plan to unify the company's functional and business strategies.

47) Which of the following is *not* among the principal managerial tasks associated with managing the strategy execution process?
A) Ensuring that policies and procedures facilitate rather than impede effective execution
B) Creating a company culture and work climate conducive to successful strategy implementation and execution
C) Surveying employees on how employee job satisfaction can be improved
D) Exerting the internal leadership needed to drive implementation forward
E) Tying rewards and incentives directly to the achievement of performance objectives

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48) Management is obligated to monitor new external developments, evaluate the company's progress, and make corrective adjustments in order to
A) determine whether the company has a balanced scorecard for judging its performance.
B) decide whether to continue or change the company's strategic vision, objectives, strategy and/or strategy execution methods.
C) determine what changes should be made to its customer value proposition.
D) determine whether the company's business model is well matched to changing market and competitive circumstances.
E) stay on track in achieving the company's mission and strategic vision.

49) A company's direction, objectives, and strategy
A) never have to be revisited, even if time pressures or internal conditions warrant.
B) are set in stone as the end of the planning process.
C) are primarily a now-and-then task.
D) are insulated from disruptive changes that a company might experience in its external environment.
E) are never final, as managing strategy is an on-going, dynamic process.

50) Proficient strategy execution
A) directly involves only the CEO and board of directors of the firm.
B) is achieved unevenly, coming quickly in some areas and more slowly in others.
C) entails accomplishing desired outcomes and then examining what went right and what went wrong.
D) is an every-now-and-then task.
E) is always the product of much organizational learning.

51) When things are not going well, the corrective adjustments that top executives need to make include
A) discerning whether or not to promote better achievement of strategic performance targets ahead of financial performance targets.
B) deciding whether the company would be better off making adjustments that curtail the achievement of strategic objectives or that curtail the achievement of financial objectives.
C) knowing when to replace poorly performing subordinates and when to do a better job of coaching them to do the right things.
D) having the analytic skills to separate the problems due to a bad strategy from the problems due to bad strategy execution.
E) deciding when adjustments are needed and what adjustments to make.

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52) The primary roles/obligations of a company's board of directors in the strategy-making, strategy-executing process include
A) playing the lead role in forming the company's strategy and then directly supervising the efforts and actions of senior executives in implementing and executing the strategy.
B) providing guidance and counsel to the CEO in carrying out his or her duties as chief strategist and chief strategy implementer.
C) overseeing the company's financial accounting and reporting practices, evaluating the caliber of senior executives' strategy-making and strategy-executing skills, and instituting a compensation plan that rewards top executives for results that serve shareholder interests.
D) working closely with the CEO, senior executives, and the strategic planning staff to develop a strategic plan for the company.
E) reviewing and approving the company's business model, and reviewing and approving the proposals and recommendations of the CEO as to how to execute the business model.

53) The obligations of an investor-owned company's board of directors in the strategy-making, strategy-executing process include
A) debating the merits of other compelling strategy proposals as opposed to those put forward by top management.
B) taking the lead in formulating the company's strategic plan but then delegating the task of implementing and executing the strategic plan to the company's CEO and other senior executives.
C) taking the lead in developing the company's business model and strategic vision.
D) overseeing the company's financial accounting and financial reporting practices and evaluating the caliber of senior executives' strategy-making, strategy-executing skills.
E) approving the company's operating strategies, functional-area strategies, business strategy, and overall corporate strategy.

54) Which one of the following is *not* among the chief duties or responsibilities of a company's board of directors insofar as the strategy-making, strategy-executing process is concerned?
A) Hire and fire senior-level executives and work with the company's chief strategic planning officer to improve the company's performance.
B) Inquire about and exercise strong oversight over the company's direction, strategy, and business approaches.
C) Evaluate the caliber of senior executives' strategy-making, strategy-executing skills.
D) Institute a compensation plan for top executives that rewards them for actions and results that serve stakeholders' interests and most especially those of shareholders.
E) Oversee the company's financial accounting and financial reporting practices.

55) The corporate governance failure at Volkswagen in 2015 included all of the following *except*
A) a strong independent board of directors that was responsible for making independent judgments about the validity and wisdom of management's proposed strategic actions.
B) inadequate monitoring of the CEO and other senior executives.
C) fraudulent defeat devices that enabled diesel vehicles to pass stringent emissions tests.
D) ineffective oversight of the accounting principles employed to accurately determine earnings.
E) the company policy that precluded former executives from serving on its board.

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56) What are the five stages of the strategy-making, strategy-executing process and what does each one involve?

57) Define and briefly explain what is meant by each of the following terms:
a. Strategic inflection point
b. Strategic vision
c. Strategic objective
d. Strategic plan
e. Balanced scorecard

58) A well-conceived strategic vision helps prepare a company for the future. True or false? Explain and justify your answer.

59) Explain why an organization needs a strategic vision. What purpose does a strategic vision serve?

60) What is the difference between a mission statement and a strategic vision?

61) What is the meaning of the term "balanced scorecard"? What are the merits of using a balanced scorecard in judging a company's performance?

62) What are the two types of objectives included in the balanced scorecard? Define and provide five examples of each.

63) The achievement of financial objectives tends to be a lagging indicator of a company's performance while the achievement of strategic objectives tends to be a leading indicator of a company's future financial performance. True or false? Support and explain your answer.

64) Explain why a company's strategy is really a bundle of strategies.

65) A single-business company has three levels of strategy. Name and describe each level.

66) Identify and briefly explain four actions that top executives can take that are key elements in directing organizational action and building capabilities behind the drive for good strategy execution to meet or beat performance targets.

67) Identify and briefly explain three actions that top executives can take to help instill a spirit of high achievement into the corporate culture and mobilize organizational energy behind the drive for good strategy execution and operating excellence.

68) Identify and briefly discuss at least two examples of faulty oversight by a company's board of directors in corporate governance and/or the strategy formulation, strategy execution process.

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