Student name:___________

**MULTIPLE CHOICE - Choose the one alternative that best completes the statement or answers the question.**

**1)** You have been asked to evaluate Kampus Kombucha's mission statement, "To heal and refresh everyone we touch." You would most likely observe thatKampus Kombucha's mission statement

A) specifies the buyer needs that it seeks to satisfy and the customer groups or markets it serves.
B) specifically informs customers and employees "who we are, what we do, and why we are here."
C) portrays this company's aspirations for the future.
D) describes more of an *objective* and a *result* of what this company does instead of its purpose.
E) is vague, fairly uninformative, and blurs the essence of this company's business activities.

**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 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.

**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)** TOMS Shoes’ company values are

A) focused on the wealth maximization of shareholders.

B) strictly limited in number (not more than two per company).

C) barely distinguishable among those of other rivals in the footwear industry.

D) directly linked to this company’s strategic vision, whereas its mission has other underlying assets.

E) an integral part of this company’s DNA, if executives seek to ingrain designated core values into corporate culture.

**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.

**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) 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

**15)** Well-conceived visions are

A) vague and indefinite, to allow room for a company to change direction.
B) generic to many organizations.
C) primarily comprised 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 all stakeholders will enthusiastically support)

E) focused (is specific enough to provide guidance to managers in making decisions and allocating resources)

**18)** A superior example of a company vision that is short, specific, memorable, clearly articulated, and forward-looking is

A) Hilton Hotel’s vision “to fill the earth with light and the warmth of hospitality.”

B) Whole Foods’ vision “to be a dynamic leader in the quality food business. We are a mission-driven company that aims to set the standards of excellence for food retailers. We are building a business in which high standards permeate all aspects of our company. Quality is a state of mind at Whole Foods Market.”

C) Keurig’s vision “to become the world’s leading personal beverage systems company.”

D) Nike’s vision “to create products, services and experiences for today’s athlete while solving problems for the next generation.”

E) Google’s vision “to organize the world’s information and make it universally accessible and useful.”

**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 can't 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

**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.”

**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.

**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.

**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, 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.

**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)** The following scenario does not contain the key characteristics of a well-stated organizational objective:

A) Jet Blue’s plans to grow 150 flights a day to 200 over the coming years.

B) lululemon’s plans to expand its brand globally through international market penetration, opening 11 new stores in Asia and Europe, which include the first stores in China, South Korea, and Switzerland.

C) General Mills’ plans to build a more agile organization by streamlining support functions by allowing for more fluid use of resources and idea sharing around the world, enhancing e-commerce know-how to capture more growth in this emerging channel.

D) Yahoo!’s created extreme stretch goals to return that company to profitability and raise its stock price.

E) TOMS Shoes’ one-for-one model builds the cost of giving away a pair of shoes into the price of each pair it sells, enabling the company to make a profit while still giving away shoes to the needy.

**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)** You are the owner of the Voracious Vegetarian, a single-business healthy fast-food restaurant. What would be your company's strategy-making hierarchy?

A) business strategy, divisional strategies, and departmental strategies
B) business strategy, divisional strategy, and operating strategy
C) business strategy, functional strategies, and operating strategies
D) corporate strategy, divisional strategies, and departmental strategies
E) managerial strategy, business strategy, and divisional 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

**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.

**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) coming up with compelling strategy proposals to debate against 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 had a policy that precluded former executives from serving on its board.

**SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.**

**56)** What are the five stages of the strategy formulation, strategy execution process and what does each stage involve?

The five stages are provided in the feedback.

**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.

The three levels of strategy are provided in Feedback.

**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.

**69)** Six years after her company's founding, in 2009, 25-year-old Elizabeth Holmes, founder and CEO of Theranos, a Palo Alto, California-based company that manufactured and marketed medical devices for testing blood, tolda small group at StanfordUniversity that her ticket to success was "conviction" that you could "make something work, no matter what." On June 15, 2018, Holmes and Theranos's former president Ramesh "Sunny" Balwani wereindictedon multiple counts ofwire fraudand conspiracy to commit wire fraud. According to the indictment, investors, doctors, and patients were defrauded. Holmes herself had falsely claimed in 2014 that the company had annual revenues of $100 million, a thousand times more than the actual figure of $100,000. Prosecutors claimed they had engaged in an "elaborate, years-long fraud" wherein they "deceived investors into believing that its key product—a portable blood analyzer—could conduct comprehensive blood tests from finger drops of blood." It was alleged the defendants were aware of the unreliability and inaccuracy of their products but concealed that information. If convicted, they each face a maximum fine of $250,000 and 20 years in prison.Normatively speaking, which actions should Theranos' board of directors have taken to provide good governance oversight and prevent this fraud from occurring?

**70)** Brad Black and Susan Griffin-Black are cofounders and top managers of one of the last large independently-owned organic beauty companies, EO Products. Explain the strategy the partners could use to strengthen EO Products' market position and build a competitive advantage over its rivals. Differentiate between a business strategy and a corporate strategy.

## Answer Key

Test name: Peteraf 2

1) E

Ideally, a company mission statement (1) identifies the company's products and/or services, (2) specifies the buyer needs that the company seeks to satisfy and the customer groups or markets that it serves, and (3) gives the company its own identity. The usefulness of a mission statement that cannot convey the essence of a company's business activities and purpose is unclear.

2) B

Figure 2.1 displays the five-stage process: (1) developing a strategic vision, (2) setting objectives, (3) crafting strategy, (4) implementing and executing the chosen strategy, and (5) evaluating and analyzing the external environment and the company's internal situation and performance.

3) E

The process of crafting and executing a company's strategy, as depicted in Figure 2.1, is an ongoing, continuous process consisting of five interrelated stages: (1) developing a strategic vision that charts the company's long-term direction; (2) setting objectives for measuring the company's performance and tracking its progress in moving in the intended long-term direction; (3) crafting a strategy for advancing the company along the path management has charted and achieving its performance objectives; (4) executing the chosen strategy efficiently and effectively; and (5) monitoring developments, evaluating performance, and initiating corrective adjustments in the company's vision and mission statement, objectives, strategy, or approach to strategy execution in light of actual experience, changing conditions, new ideas, and new opportunities.

4) E
Figure 2.1 displays the five-stage process. The first step is developing a strategic vision, mission, and values.

5) C
Figure 2.1 displays the five-stage process and Table 2.1 describes it in detail. Management's decisions that are made in the strategic management process are shaped by the prevailing economic conditions and competitive environment and the company's own internal resources and competitive capabilities.

6) E

See Concepts & Connections 2.2. Most companies have articulated four to eight core values that company personnel are expected to display and that are supposed to be mirrored in how the company conducts its business. The core values thus become an integral part of the company's DNA and what makes the company tick. By ingraining the mission in the company's business model, TOMS has been able to truly live up to its founder, Blake Mycoskie's, aspiration of a mission with a company, funding giving through a for-profit business. TOMS even ensured that its mission and supporting business model would never change; when Mycoskie sold 50 percent of the company to Bain Capital in 2014, part of the transaction protected the one-for-one business model forever. TOMS is a successful example of a company that proves a commitment to its core values can spur both revenue growth and giving back.

7) C
Management's decisions that are made in the strategic management process are shaped by the prevailing economic conditions and competitive environment and the company's own internal resources and competitive capabilities as shown in Figure 2.1, The Strategy and Formulation, Strategy Execution Process, and described in detail in Table 2.1, Factors Shaping Decisions in the Strategy Formulation, Strategy Execution Process.

8) B

The evaluation stage of the strategic management process (as shown in Figure 2.1) also allows for a change in the company's vision, but this should be necessary only when it becomes evident to management that the industry has changed in a significant way that renders its vision obsolete. Such occasions can be referred to as strategic inflection points. When a company reaches a strategic inflection point, management has tough decisions to make about the company's direction because abandoning an established course carries considerable risk.

9) B
The first three stages of the strategic management process—(1) developing a strategic vision, (2) setting objectives, and (3) crafting strategy—comprise a strategic plan. A strategic plan maps out where a company is headed, establishes strategic and financial targets, and outlines the competitive moves and approaches to be used in achieving the desired business results.

10) C
The process consists of the five steps outlined in Figure 2.1. Management's decisions that are made in the strategic management process are shaped by the prevailing economic conditions and competitive environment and the company's own internal resources and competitive capabilities, also shown in Figure 2.1 and described in detail in Table 2.1.

11) A
Top management's views about the company's direction and future product-customer-market-technology focus constitute a strategic vision for the company. A clearly articulated strategic vision communicates management's aspirations to stakeholders about "where we are going" and helps steer the energies of company personnel in a common direction.

12) A

Top management’s views about the company’s direction and future product-customer-market-technology focus constitute a strategic vision for the company. A clearly articulated strategic vision communicates management’s aspirations to stakeholders about “where we are going” and helps steer the energies of company personnel in a common direction.

13) B

Top management’s views about the company’s direction and future product-customer-market-technology focus constitute a strategic vision for the company. A clearly articulated strategic vision communicates management’s aspirations to stakeholders about “where we are going” and helps steer the energies of company personnel in a common direction.

14) E

Top management’s views about the company’s direction and future product-customer-market-technology focus constitute a strategic vision for the company. A clearly articulated strategic vision communicates management’s aspirations to stakeholders about “where we are going” and helps steer the energies of company personnel in a common direction.

15) E

As shown in Table 2.2, for a strategic vision to function as a valuable managerial tool, it must provide understanding of what management wants its business to look like and provide managers with a reference point in making strategic decisions. It must say something definitive and specific about how the company’s leaders intend to position the company beyond where it is today.

16) A

From Table 2.2, it is evident that an effectively worded vision statement is graphic, directional, focused, flexible, feasible, desirable, and easy to communicate. A surprising number of the vision statements found on company websites and in annual reports are vague and unrevealing, saying very little about the company's future product-market-customer-technology focus.

17) D

From Table 2.2, it is evident that an effectively worded vision statement is graphic, directional, focused, flexible, feasible, desirable, and easy to communicate. While consensus among stakeholders is helpful to adopting a vision statement, crafting that statement is in the purview of top managers.

18) E

See discussion in Chapter 2 and Concepts & Connections 2.1. Hilton Hotel's vision simply borders on the incredulous. Whole Foods' vision is long and not memorable. Keurig's vision lacks specifics and is not forward-looking. Nike's vision is vague, lacks detail, is unfocused, and is not necessarily feasible. Google's vision provides a better example. In serving as the company's guiding light, it has captured the imagination of stakeholders and the public at large, served as the basis for crafting the company's strategic actions, and aided internal efforts to mobilize and direct the company's resources.

19) A

From Table 2.3, it is evident that an ineffectively worded vision statement is not forward-looking, too broad, bland or uninspiring, not distinctive, and overly reliant on superlatives.

20) A

The defining characteristic of a well-conceived strategic vision is what it says about the company's future strategic course—"where we are headed and what our future product-customer-market-technology focus will be." Vision statements galvanize action among company personnel. Alternatively, mission statements of most companies say much more about the enterprise's present business scope and purpose—"why we exist."

21) E
A well-thought-out, forcefully communicated strategic vision pays off in several respects: (1) It crystallizes senior executives' own views about the firm's long-term direction; (2) It reduces the risk of rudderless decision-making by management at all levels; (3) It is a tool for winning the support of employees to help make the vision a reality; (4) It provides a beacon for lower-level managers in forming departmental missions; and (5) It helps an organization prepare for the future.

22) A
Mission statements of most companies say much more about the enterprise's present business scope and purpose—"why we exist."

23) E
Mission statements of most companies say much more about the enterprise's present business scope and purpose—"why we exist." A well-conceived mission statement should employ language specific enough to give the company its own identity. A mission statement that provides scant indication of "who we are and what we do" has no apparent value.

24) A

The defining characteristic of a well-conceived strategic vision is what it says about the company's future strategic course—"where we are headed and what our future product-customer-market-technology focus will be." Vision statements galvanize action among company personnel. Alternatively, mission statements of most companies say much more about the enterprise's present business scope and purpose—"why we exist."

25) D
A company's **values** are 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.

26) C
Many companies have developed a statement of values (sometimes called core values) to guide the actions and behavior of company personnel in conducting the company's business and pursuing its strategic vision and mission. These values are the designated beliefs and desired ways of doing things at the company, and frequently relate to such things as fair treatment, honor and integrity, ethical behavior, innovativeness, teamwork, a passion for excellence, social responsibility, and community citizenship.

27) E

Many companies (i.e. Home Depot, Patagonia, and Samsung which are cited in the chapter) have developed a statement of values (sometimes called core values) to guide the actions and behavior of company personnel in conducting the company's business and pursuing its strategic vision and mission. These values are the designated beliefs and desired ways of doing things at the company, and frequently relate to such things as fair treatment, entrepreneurial spirit, top-notch quality, honor and integrity, ethical behavior, innovativeness, teamwork, a passion for excellence, social responsibility, and community citizenship.

28) E
The managerial purpose for setting financial and strategic objectives such as those listed in Table 2.4 is to convert the strategic vision into specific performance targets. Well-stated objectives are quantifiable, or measurable, and contain a deadline for achievement.

29) B
The importance of attaining financial objectives is intuitive. Without adequate profitability and financial strength, a company's long-term health and ultimate survival is jeopardized. Furthermore, subpar earnings and a weak balance sheet alarm shareholders and creditors and put the jobs of senior executives at risk.

30) D
Without adequate profitability and financial strength, a company's long-term health and ultimate survival is jeopardized. Furthermore, subpar earnings and a weak balance sheet alarm shareholders and creditors and put the jobs of senior executives at risk.

31) B

The balanced scorecard approach is a widely used method for balancing both strategic and financial objectives, tracking their achievement, and giving management a more complete and balanced view of how well an organization is performing.

32) A
In contrast to strategic objectives, which are leading indicators of a company's market standing and competitive vitality, a company's financial objectives are really lagging indicators that reflect the results of past decisions and organizational activities.

33) B
Long-term objectives serve as a barrier to an undue focus on short-term results by nearsighted management. When trade-offs have to be made between achieving long- and short-run objectives, long-run objectives should take precedence (unless the achievement of one or more short-run performance targets has unique importance).

34) E
Well-stated objectives must be *specific, quantifiable* or *measurable*, and *challenging*, and must contain a *deadline for achievement*.
35) B
Objective setting does not stop with the establishment of companywide performance targets but needs to be broken into performance targets for each of the organization's separate businesses, product lines, functional departments, and individual work units. This is necessary to guide employees within various functional areas and operating levels via narrow objectives relating directly to their departmental activities, rather than broad organizational-level goals.

36) A

Objective setting does not stop with the establishment of companywide performance targets but needs to be broken into performance targets for each of the organization’s separate businesses, product lines, functional departments, and individual work units. This is necessary to guide employees within various functional areas and operating levels via narrow objectives relating directly to their departmental activities, rather than broad organizational-level goals.

37) D

Examples of well-stated financial objectives may include: an x percent increase in annual revenues; annual increases in after-tax profits of x percent; annual increases in earnings per share of x percent; annual dividend increases of x percent; profit margins of x percent; an x percent return on capital employed (ROCE) or return on shareholders’ equity (ROE) investment; increased shareholder value in the form of an upward-trending stock price; bond and credit ratings of x; internal cash flows of x dollars to fund new capital investment, and so forth.

38) A

As stated in the text, the task of stitching a strategy together entails addressing a series of “hows”: how to attract and please customers, how to compete against rivals, how to position the company in the marketplace and capitalize on attractive opportunities to grow the business, how best to respond to changing economic and market conditions, how to manage each functional piece of the business, and how to achieve the company’s performance targets.

39) A

Crafting a strategy is a collaborative team effort that includes managers in various positions and at various organizational levels. Crafting a strategy is rarely something only high-level executives perform.

40) D

As shown in Figure 2.2, corporate strategy is orchestrated by the CEO and other senior executives, and establishes an overall game plan for managing a set of businesses in a diversified, multibusiness company. Corporate strategy addresses the questions of how to capture cross-business synergies, what businesses to hold or divest, which new markets to enter, and how to best enter new markets—by acquisition, by creation of a strategic alliance, or through internal development.

41) A

Business strategy is primarily concerned with building competitive advantage in a single business unit of a diversified company or strengthening the market position of a nondiversified single-business company.

42) D

To ascertain the exemplary objective-setting examples set by TOMS Shoes, Jet Blue, lululemon, and General Mills, see Concepts & Connections 2.2 and 2.3 in Chapter 2, as those contain well-stated organizational objectives in detail. The text makes clear that Yahoo!'s extreme stretch goals did not necessarily return the company to greatness under CEO Marissa Mayer.

43) B

Functional area strategies (as shown in Figure 2.2, "A Company's Strategy-Making Hierarchy) concern the detailed actions and game plan(s) related to particular functions or processes within a business.

44) D

Functional area strategies (as shown in Figure 2.2, “A Company Strategy-Making Hierarchy) concern the detailed actions and game plan(s) related to particular functions or processes within a business. Particular functions or processes within a business may include research and development (R&D), production, procurement of inputs, sales and marketing, distribution, customer service, and finance.

45) C
In single-business companies, the corporate and business levels of the strategy-making hierarchy merge into a single level—business strategy—because the strategy for the entire enterprise involves only one distinct business. So, a single-business company has three levels of strategy: business strategy, functional-area strategies, and operating strategies.

46) C
Operating strategies concern the relatively narrow strategic initiatives and approaches for managing key operating units (plants, distribution centers, geographic units) and specific operating activities (for example, materials purchasing or Internet sales).

47) C
Good strategy execution entails that managers pay careful attention to how key internal business processes are performed and see to it that employees’ efforts are directed toward the accomplishment of desired operational outcomes.

48) B

A company's direction, objectives, and strategy have to be revisited any time external or internal conditions warrant. A company's vision, objectives, strategy, and approach to strategy execution are never final; managing strategy is an ongoing process, not an every-now-and-then task.

49) E

A company's direction, objectives, and strategy have to be revisited any time external or internal conditions warrant. A company's vision, objectives, strategy, and approach to strategy execution are never final; managing strategy is an ongoing process, not an every-now-and-then task.

50) E

Good strategy execution entails that managers pay careful attention to how key internal business processes are performed and see to it that employees' efforts are directed toward the accomplishment of desired operational outcomes. The task of implementing and executing the strategy also necessitates an ongoing analysis of the efficiency and effectiveness of a company's internal activities and a managerial awareness of new developments that might improve business processes.

51) E

The task of implementing and executing the strategy necessitates an ongoing analysis of the efficiency and effectiveness of a company's internal activities as well as a managerial awareness of new developments that might improve (or impede) business processes. Top-notch strategy execution entails vigilance: deciding when adjustments are needed and what adjustments to make.

52) C

The role of the board involves: (1) oversight over the company’s financial accounting and financial reporting practices; (2) oversight over and critique of the company’s direction, strategy, and business approaches; (3) evaluation of the caliber of senior executives’ strategy formulation and strategy execution skills; and (4) instituting a compensation plan for top executives that rewards them for actions and results that serve shareholder interests.

53) D
It is the duty of the board of directors to exercise strong oversight and see that the five tasks of strategic management are done in a manner that benefits shareholders with respect to the following: (1) monitoring the company’s performance, including financial and accounting reporting practices; (2) guiding and judging the CEO and other top executives; (3) curbing management actions it believes are inappropriate or unduly risky; (4) certifying to shareholders that the CEO is doing what the board expects; (5) providing insight and advice to management; and (6) remaining intensely involved in debating the pros and cons of key decisions and actions.

54) A
Hiring and firing senior level executives and working with the chief strategic planning officer is not among the primary duties of a company’s board of directors. Those primary duties do include: (1) monitoring the company’s performance, including financial and accounting reporting practices, (2) guiding and judging the CEO and other top executives, (3) curbing management actions it believes are inappropriate or unduly risky, (4) certifying to shareholders that the CEO is doing what the board expects, (5) providing insight and advice to management, and (6) remaining intensely involved in debating the pros and cons of key decisions and actions.

55) E

See Concepts & Connections 2.4 in Chapter 2. Volkswagen did not have a strong independent board of directors that (1) was willing to accept responsibility (2) even questioned whether or not it was the appropriate role of the board to be aware of such problems, (3) whose chairman, Ferdinand Piech, was a former chief executive and a member of the Porsche family that had a 50 percent interest in the company.

56) The managerial process of crafting and executing a company's strategy is an ongoing, continuous process consisting of five integrated stages: (1) developing a strategic vision, (2) setting objectives, (3) crafting strategy, (4) implementing and executing the chosen strategy, and (5) evaluating and analyzing the external environment and the company's internal situation and performance.

57) Students should be able to outline these particular aspects of the first three stages of the five-stage strategy formulation and execution process as depicted in Figure 2.1: (1) developing a strategic vision, (2) setting objectives, and (3) crafting a strategy.

Strategic inflection point: the point at which the industry has changed to such a degree that the company's vision is obsolete. Examples will vary.

Strategic vision: top management's views about the company's direction and future product-customer-market-technology focus. Examples will vary.

Strategic objective: an organization's performance targets. Examples will vary.

Strategic plan: maps out where a company is headed, establishes strategic and financial targets, and outlines the competitive moves and approaches to be used in achieving the desired business results. Examples will vary.

Balanced scorecard: system used to see that financial objectives and strategic objectives are balanced. Examples will vary.

58) True. Developing a strategic vision is necessarily future-oriented in that it charts a company's long-term direction.

59) A clearly articulated strategic vision communicates management's aspirations to stakeholders about "where we are going" and helps steer the energies of company personnel in a common direction. The defining characteristic of a well-conceived strategic vision is what it says about the company's future strategic course: "where we are headed and what our future product-customer-market-technology focus will be."

60) The defining characteristic of a well-conceived strategic vision is what it says about the company's future strategic course: "where we are headed and what our future product-customer-market-technology focus will be." The mission statements of most companies say much more about the enterprise's present business scope and purpose: "why we exist."

61) The balanced scorecard is a widely used method for combining the use of both strategic and financial objectives, tracking their achievement, and giving management a more complete and balanced view of how well an organization is performing. Merely tracking a company's financial performance overlooks the fact that what ultimately enables a company to deliver better financial results is the achievement of strategic objectives that improve its competitiveness and market strength.

62) The balanced scorecard is a widely used method for combining the use of both strategic and financial objectives, tracking their achievement, and giving management a more complete and balanced view of how well an organization is performing. The two types of objectives included in the balanced scorecard are strategic (e.g., market share, customer retention, customer satisfaction, customer acquisition, new product introduction, reduction of product development cycles, etc.) and financial (e.g., annual percent increases in sales and earnings per share, returns on capital employed, increases in internal cash flows for investment, and improved credit ratings).

63) In contrast to strategic objectives, which are leading indicators of a company’s market standing and competitive vitality, a company’s financial objectives are really lagging indicators that reflect the results of past decisions and organizational activities. The results of past decisions and organizational activities are often unreliable indicators of a company’s future prospects. Companies that have been poor financial performers are sometimes able to turn things around, and good financial performers on occasion fall upon hard times. Hence, the best and most reliable predictors of a company’s success in the marketplace and future financial performance are strategic objectives.

64) Crafting a strategy is a collaborative team effort that includes managers in various positions and at various organizational levels, involving corporate strategies (in multibusiness firms), business strategies (by division or in single-business firms), functional strategies, and operating strategies.

65) A single-business company has three levels of strategy: business strategy, functional-area strategies, and operating strategies.

66) Management’s action agenda for executing the chosen strategy emerges from assessing what the company will have to do to achieve the targeted financial and strategic performance. In most situations, managing the strategy execution process includes the following principal aspects:

- Creating a strategy-supporting structure
- Staffing the organization to obtain needed skills and expertise
- Developing and strengthening strategy-supporting resources and capabilities
- Allocating ample resources to the activities critical to strategic success
- Ensuring that policies and procedures facilitate effective strategy execution
- Organizing the work effort along the lines of best practice
- Installing information and operating systems that enable company personnel to perform essential activities
- Motivating people and tying rewards directly to the achievement of performance objectives
- Creating a company culture conducive to successful strategy execution
- Exerting the internal leadership needed to propel implementation forward

67) Each company manager has to think through the answer to the question “What needs to be done in my area to execute my piece of the strategic plan, and what actions should I take to get the process under way?” How much internal change is needed depends on how much of the strategy is new, how far internal practices and competencies deviate from what the strategy requires, and how well the present work culture supports good strategy execution. In most situations, managing the strategy execution process includes the following principal aspects:

- Creating a strategy-supporting structure
- Staffing the organization to obtain needed skills and expertise
- Developing and strengthening strategy-supporting resources and capabilities
- Allocating ample resources to the activities critical to strategic success
- Ensuring that policies and procedures facilitate effective strategy execution
- Organizing the work effort along the lines of best practice
- Installing information and operating systems that enable company personnel to perform essential activities
- Motivating people and tying rewards directly to the achievement of performance objectives
- Creating a company culture conducive to successful strategy execution
- Exerting the internal leadership needed to propel implementation forward

68) According to the illustration in Concepts and Connections 2.4, Volkswagen did not have a strong independent board of directors that (1) was willing to accept responsibility, (2) even questioned whether or not it was the appropriate role of the board to be aware of such problems, and (3) whose chairman, Ferdinand Piech, was a former chief executive and a member of the Porsche family that had a 50 percent interest in the company.

69) Theranos's board of directors failed to fulfill at least some of the following four important obligations:

1. overseeing the company's financial accounting and financial reporting practices.
2. critically appraising the company's direction, strategy, and business approaches.
3. evaluating the caliber of senior executives' strategic leadership skills.
4. instituting a compensation plan for top executives that rewards them for actions and results that serve shareholder interests.

70) Business strategy is concerned with strengthening the market position, building competitive advantage, and improving the performance of a single line of business unit. Business strategy is primarily the responsibility of business unit heads, although corporate-level executives may well exert strong influence.

Corporate strategy concerns how to improve the combined performance of the set of businesses the company has diversified into by capturing cross-business synergies and turning them into competitive advantage. It addresses the questions of what businesses to hold or divest, which new markets to enter, and how to best enter new markets (by acquisition, creation of a strategic alliance, or through internal development, for example). It is orchestrated by the CEO and other senior executives and establishes an overall strategy for managing a set of businesses in a diversified, multibusiness company.