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 that Kampus 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) is vague, fairly uninformative, and blurs the essence of this company's business activities.

D) describes more of an objective and a result of what this company does instead of its purpose.

E) portrays this company's aspirations for the future.

2) A company's strategic plan

A) maps out the company's history.

B) links the company's financial targets to control mechanisms.

C) outlines the competitive moves and approaches to be used in achieving the desired business results.

D) focuses on offering a more appealing product than rivals.

E) lists methods of making money in its chosen business.

3) An integral part of the managerial process of crafting and executing strategy includes

A) developing a proven business model.

B) deciding how much of the company's resources to employ in the pursuit of sustainable competitive advantage.

C) developing a strategic vision.

D) communicating the company's values and code of conduct to all employees.

E) deciding on the company's strategic intent.

4) Integral parts of the managerial process of crafting and executing strategy include

A) developing a strategic vision, strategic management, and crafting a strategy.

B) developing a proven business model, deciding on the company's strategic intent, and crafting a strategy.

C) strategic management, 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, strategic management, choosing what business approaches to employ, selecting a business model, and monitoring developments.

E) deciding on the company's strategic intent, setting financial objectives, crafting a strategy, and choosing what business approaches and operating practices to employ.

5) The strategy-making, strategy-executing 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) the challenges of developing a sound business model.

E) top executives and the board of directors; very few managers below this level are involved in the process.

6) When companies adopt the strategy-making and strategy-execution process, it requires they start by

A) developing a strategic vision and mission, and values.

B) developing a proven business model, deciding on the company's top management team, and crafting a strategy.

C) strategic management, developing a business model, crafting a 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 communicating it to all employees, strategic management, selecting a business model, and monitoring developments and initiating corrective adjustments to the business model when necessary.

E) deciding on the company's board of directors, setting financial objectives, crafting a strategy, and choosing what business approaches and operating practices to employ.

7) A company's strategic vision concerns

A) management's storyline of how it intends to make a profit with the chosen strategy "who we are and what we do."

B) what future actions the enterprise will likely undertake to outmaneuver rivals and achieve a sustainable competitive advantage.

C) "who we are and what we do."

D) a company's directional path and future product-customer-market-technology focus.

E) why the company does certain things in trying to please its customers.

8) The real purpose of the company's strategic vision

A) lays out how management plans to implement and execute a profitable business model.

B) describes what business the company is presently in and why it has chosen certain operating practices to meet the needs of customers.

C) serves as management's tool for giving the organization a sense of direction.

D) defines "who we are and what we do."

E) spells out a company's strategic intent, its strategic and financial objectives, and the business approaches and operating practices that will underpin its efforts to achieve sustainable competitive advantage.

9) A strategic vision constitutes management's view and conclusions about the company's

A) long-term direction and what product-market-customer mix seems optimal.
B) business model and the kind of value that it is trying to deliver to customers.
C) justification of why the business will be a moneymaker.
D) past and present scope of work.
E) long-term plan for outcompeting rivals and achieving a competitive advantage.

10) The managerial task of developing a strategic vision for a company

A) concerns deciding what approach the company should take to implement and execute its business model.
B) entails coming up with a fairly specific answer to "who are we, what do we do, and why are we here?"
C) is chiefly concerned with addressing what a company needs to do to successfully outcompete rivals in the marketplace.
D) involves deciding upon what strategic course a company should pursue in preparing for the future and why this directional path makes good business sense.
E) entails coming up with a concrete plan for how the company intends to make money.

11) An unlikely, inaccurate feature of an organization's strategic vision is

A) providing a panoramic view of "where we are going."
B) outlining how the company intends to implement and execute its business model.
C) pointing an organization in a particular direction and charting a strategic path for it to follow.
D) helping mold an organization's character and identity.
E) describing the company's future product-market-customer focus.

12) Management's strategic vision for an organization

A) charts a strategic course for the organization ("where we are going") and provides a rationale for why this directional path makes good sense.

B) describes in fairly specific terms the organization's 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 intent and the actions and moves that will be undertaken to achieve it.

13) TOMS Shoes’ company values are

A) directly linked to this company’s strategic vision, whereas its mission is tied to other valuable underlying assets.

B) marginally distinguishable among those of other rivals in the footwear industry.

C) an integral part of this company's DNA, but only if executives decide to ingrain designated core values into corporate culture.

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

E) focused on the wealth maximization of shareholders.

14) What a company's top executives are saying about where the company is headed long term with respect to its future product-market-customer-technology mix

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 emergent strategy will be.

D) serves to define the company's business plan.

E) indicates what kind of products and services the company plans to offer in the future.

15) One of the important benefits of a well-conceived and well-stated strategic vision is to

A) clearly delineate how the company's business model will be implemented and executed.

B) clearly communicate management's aspirations for the company to stakeholders and help steer the energies of company personnel in a common direction.

C) set forth the firm budgetary objectives in clear and fairly precise terms.

D) help create a balanced scorecard approach to objective setting and not stretch the company's resources too thin across different products, technologies, and geographic markets.

E) indicate what kind of sustainable competitive advantage the company will try to create in the course of becoming the industry leader.

16) The defining characteristic of a well-conceived strategic vision is

A) what it says about the company's future strategic course—"the direction we are headed and what our future product-market-customer focus will be."

B) that it not stretch the company's resources too thin across different products, technologies, and geographic markets.

C) clarity and specificity about "who we are, what we do, and why we are here."

D) that it be flexible and operate in the mainstream.

E) that it be within the realm of what the company can reasonably expect to achieve within four years.

17) When company managers are in the process of thinking strategically about what directional path should be taken by the company, they are *not* likely to ask which question?

A) Is the outlook for the company promising if it continues with its present product offerings?

B) Are changing market and competitive conditions acting to enhance or weaken the company's prospects?

C) What business approaches and operating practices should we consider in trying to implement and execute our business model?

D) What strategic course offers attractive opportunity for growth and profitability?

E) What, if any, new customer groups and/or geographic markets should the company get in position to serve?

18) Company managers are *unlikely* to consider this question when choosing to pursue one strategic course or directional path versus another.

A) Are changing market and competitive conditions acting to enhance or weaken the company's business outlook?
B) Is the company stretching its resources too thinly by trying to compete in too many markets or segments, some of which are unprofitable?
C) Will our present business generate sufficient growth and profitability in the years ahead to please shareholders?
D) What market opportunities should the company pursue and which ones should not be pursued?
E) Do we have a better business model than key rivals?

19) Characteristics of an effectively worded strategic vision statement are most likely to include

A) balanced, responsible, and rational.
B) challenging, competitive, and "set in concrete."
C) graphic, directional, and focused.
D) realistic, customer-focused, and market-driven.
E) achievable, profitable, and ethical.

20) An effectively worded strategic vision statement is *not* likely to be

A) directional (is forward-looking, describes the strategic course that management has charted that will help the company prepare for the future).
B) easy to communicate (is explainable in 5 to 10 minutes, and 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(s) the company is striving to stake out).
D) consensus-driven (commits the company to a "mainstream" directional path that almost all stakeholders will enthusiastically support).
E) focused (provides guidance to managers in making decisions and allocating resources).

21) The wording of a company's vision statement should commonly be

A) vague or incomplete—short on specifics.

B) flexible—adjustable according to changing circumstances.

C) bland or uninspiring—short on inspiration.

D) generic—could apply to almost any company (or at least several others in the same industry).

E) reliant on superlatives (best, most successful, recognized leader, global or worldwide leader, first choice of customers).

22) Common shortcomings of company vision statements include

A) too specific and too flexible.

B) unrealistic, unconventional, and unbusinesslike.

C) too broad, vague or incomplete, bland/uninspiring, not distinctive, and too reliant on superlatives.

D) too graphic, too narrow, and too risky.

E) not customer-driven, out of step with emerging technological trends, and too ambitious.

23) Breaking down resistance to a new strategic vision typically requires that management, on an as-needed basis,

A) institute a balance scorecard to measuring company performance, with the balance including a mixture of both old and new performance measures.

B) inform company personnel about forthcoming changes in the company's strategy.

C) reiterate the company's need for the new direction, while addressing employee concerns head-on, calming fears, lifting spirits, and providing them with updates and progress reports as events unfold.

D) explain all updates and merits of the company's business model to align strategy with employee concerns.

E) raise wages and salaries to win the support of company personnel for the company's new direction.

24) An engaging and convincing strategic vision

A) ought to put "who we are and what we are doing" in writing rather than orally so as to leave no room for company personnel to misinterpret what the strategic vision really is.

B) should be done in language that inspires and motivates company personnel to unite behind executive efforts to get the company moving in the intended direction.

C) tends to be more effective when top management avoids trying to capture the essence of the strategic vision in a catchy slogan.

D) is most efficiently and effectively done by posting the strategic vision prominently on the company's website and encouraging employees to read it.

E) should be explained after the company's strategic intent, strategy, and business model have been conveyed to company personnel.

25) The managerial task of effectively conveying the essence of the strategic vision is made easier by

A) having operating strategies that are easy for company personnel to understand and execute.

B) combining the strategic vision and the company's values statement into a single document.

C) adopting a catchy slogan and then using it repeatedly to illuminate the direction and purpose of "where we are headed and why."

D) waiting until the company realizes its mission and ensures the existing corporate culture is compatible with the new vision and direction.

E) distributing written statements that explain "where we are going and why."

26) Effectively communicating the strategic vision down the line to lower-level managers and employees has the value of

A) explaining "where we are going and why" and, more importantly, 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 and having a business plan are so important.

C) making it easier for top executives to set and communicate the company's stretch objectives.

D) helping lower-level managers and employees better understand the company's business model.

E) aiding lower-level managers and employees in formulating and achieving a balanced scorecard.

27) Perhaps the most important benefit of a vivid, engaging, and convincing strategic vision is

A) helping gain managerial consensus on what resources must be developed to successfully achieve strategic objectives.

B) uniting company personnel behind managerial efforts to get the company moving in the intended direction.

C) helping justify the company's mission of making a profit.

D) helping company personnel understand the logic of the company's business model.

E) keeping company personnel well-informed.

28) The benefit of a vivid, engaging, and convincing strategic vision is *not* its ability to

A) crystallize top management's own view about the company's long-term direction.

B) reduce the risk of rudderless decision making by managers at all levels of the organization.

C) help an organization prepare for the future.

D) unite company personnel behind managerial efforts to get the company moving in the intended direction.

E) help company personnel understand the logic of the company's business model.

29) The payoffs of having a strategic vision that describes management's aspirations for the company's future and the course and direction charted to achieve those aspirations are *not* typically connected with

A) reducing the risks of rudderless decision making.

B) helping the organization prepare for the future.

C) avoiding strategic inflection points and management's reaction in aligning decision choices.

D) helping to crystallize top management's own view about the firm's long-term direction.

E) providing a tool for winning the support of organizational members for internal changes that will help make the vision a reality.

30) A well-conceived and communicated strategic vision ordinarily does *not* result in

A) solidifying senior executives' view of the firm's long-term direction.

B) minimizing the risk of rudderless decision making.

C) galvanizing organizational members in support of internal changes that will help make the vision a reality.

D) assisting the organization in preparing for the future.

E) protests from stakeholders that the business is rudderless.

31) A company's mission statement typically addresses which question?

A) Who are we and what do we do?

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) What business model should we employ to achieve our objectives and our vision?

32) The difference between the concept of a company mission statement and the concept of a strategic vision is that a

A) mission concerns what to do to achieve short-term objectives, while a strategic vision concerns what to do to achieve long-term performance targets.

B) mission statement focuses on the methods needed to make a profit, whereas a strategic vision concerns what business model to employ in striving to make a profit.

C) mission statement deals with what to accomplish on behalf of shareholders, while a strategic vision concerns what to accomplish on behalf of customers.

D) mission statement typically concerns a company's purpose and its present business scope, whereas the principal concern of a strategic vision is a company's aspirations for its future.

E) mission statement deals with "where we are headed," whereas a strategic vision provides the critical answer to "how will we get there?"

33) The primary difference between a company's mission statement and the company's strategic vision is that a

A) mission statement explains why it is essential to make a profit, whereas the strategic vision explains how the company will be a moneymaker.

B) mission statement typically concerns a company's present business scope and purpose, whereas a strategic vision sets forth "where we are going and why."

C) mission statement deals with how to please customers, whereas a strategic vision deals with how to please shareholders.

D) mission statement deals with "where we are headed," whereas a strategic vision provides the critical answer to "how will we get there?"

E) mission statement addresses "how we are trying to make a profit today," while a strategic vision concerns "how will we make money in the markets of tomorrow?"

34) A company's mission statement does *not*

A) identify the company's services and products.

B) specify the buyer's needs that the company seeks to satisfy.

C) identify the customer or market that the company intends to serve.

D) give the company its own identity.

E) explain "where we are headed."

35) A company should *not* couch its mission statement in terms of making a profit because a profit is more correctly an

A) obligation and a reason for what a company does.
B) objective and a result of what a company does.
C) outlay and a rationale for what a company does.
D) obligation and a responsibility for what a company does.
E) outflow and a right of what a company does.

36) A company's values or core 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.

37) 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.
E) whether it will put more emphasis on the achievement of short-term performance targets or long-range performance targets.

38) 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."

39) Well-stated objectives are

A) quantifiable or measurable, and contain deadlines for achievement.

B) succinct and concise so as to identify the company's risk and return options.

C) broad and take into account views of all the stakeholders.

D) directly related to the dividend payout ratio for stockholder returns.

E) representative of customers' aspirations for company performance.

40) 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 convince shareholders that top management is acting in their interests.

D) to translate the company's business model into action items.

E) to indicate to employees that financial objectives always take precedence over strategic objectives.

41) What does a company specifically exhibit when it relentlessly pursues an ambitious strategic objective, concentrating the full force of its resources and competitive actions on achieving that objective?

A) competitive edge
B) sustainable advantage
C) strategic intent
D) financial strength
E) strategic vision

42) A company exhibits strategic intent when

A) management crafts and adopts a strategic plan.
B) it relentlessly pursues an ambitious strategic objective, concentrating the full force of its resources and competitive actions on achieving that objective.
C) it aggressively pursues financial objectives, establishing a priority on meeting the performance metrics and instilling a sense of urgency throughout the company.
D) management establishes a comprehensive set of financial objectives that meet stockholder expectations.
E) it capitalizes on its primary competitive advantage and ensures resources are allocated to maintain its strategy.

43) Managers can deliberately set challenging performance targets at levels high enough to promote outstanding company performance by establishing

A) stretch objectives that challenge the organization to deliver stretch gains in performance.
B) mainstay objectives that although are easily attainable, and the company is obligated to meet, they are designed to spur motivation in the workforce.
C) financial objectives that drive standardization of cost-efficiency and unify stringent operating specifications.
D) a specifically detailed and integrated model of operating policies, practices, and procedures.
E) why the company does certain things in trying to please its customers.

44) A company needs financial objectives to

A) spur company personnel to help the company overtake key competitors on such important measures as net profit margins and return on investment.

B) communicate management's targets for financial performance and achieve strategic objectives.

C) indicate to employees whether the emphasis should be on earnings per share, return on investment, return on assets, or positive cash flow.

D) convince shareholders that top management is acting in their interests.

E) counterbalance its pursuit of strategic objectives and have a balanced scorecard for judging the caliber of its overall performance.

45) The best example of a well-stated, specific financial objective is to

A) increase earnings per share by 15 percent annually.

B) gradually boost market share from 10 percent to 15 percent over the next several years.

C) achieve lower costs than any other industry competitor.

D) boost revenues by a percentage margin greater than the industry average.

E) maximize total company profits and return on investment.

46) A superior example of a well-stated strategic objective is to

A) increase revenues by more than the industry average.

B) be among the top five companies in the industry in customer service.

C) overtake key competitors on product performance or quality within three years.

D) improve manufacturing performance by 5 percent within 12 months.

E) obtain 150 new customers during the current fiscal year.

47) Strategic objectives

A) are more essential in achieving a company's strategic vision than are financial objectives.

B) relate to strengthening a company's overall market standing and competitive position.

C) are more difficult to achieve and harder to measure than financial objectives.

D) are generally less important than financial objectives.

E) help managers track an organization's true progress better than financial objectives.

48) Adopting a set of "stretch" financial and stretch strategic objectives

A) pushes the company to strive for lesser but adequate profitability levels, because the stretch objectives are considered unattainable.

B) is a widely held method for creating a "scorecard" for monitoring company performance.

C) helps convert the mission statement into meaningful company values.

D) challenges company personnel to execute the strategy with greater enthusiasm, proficiency, and understanding.

E) is an effective tool for pushing the company to perform at its full potential and deliver the best possible results.

49) Setting stretch objectives does *not* provide an organization with the advantage of

A) helping to avoid mediocre results.

B) pushing company personnel to be more inventive and innovative.

C) helping clarify the company's strategic vision and strategic intent.

D) helping a company be more focused and intentional in its actions.

E) spurring exceptional performance and helping build a firewall against contentment with modest performance gains.

50) Strategic intent refers to a situation where a company

A) commits to using a particular business model to make money.
B) decides to adopt a particular strategy.
C) relentlessly pursues an ambitious strategic objective.
D) commits to pursuing balanced-scorecard objectives.
E) changes its long-term direction and decides to pursue a newly adopted strategic vision.

51) A "balanced scorecard" for measuring company performance

A) entails putting equal emphasis on financial and strategic objectives.
B) entails putting balanced emphasis on profit and nonprofit objectives.
C) prevents the drive for achieving financial objectives from overwhelming the pursuit of strategic objectives.
D) prevents the drive for achieving strategic objectives from overwhelming the pursuit of financial objectives.
E) strikes a balance between financial and strategic objectives.

52) 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) it assists managers in putting roughly equal emphasis on short-term and long-term performance targets.
B) it entails putting equal emphasis on good strategy execution and good business model execution.
C) a balanced-scorecard approach pushes managers to avoid strategic management that reflects the results of past decisions and organizational activities.
D) 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 and business prospects.
E) it forces managers to put equal emphasis on financial and strategic objectives.

53) Perhaps the most reliable way for a company to improve its financial performance over time is to

A) put 100 percent emphasis on the achievement of its short-term and long-term financial objectives.

B) recognize that the achievement of strategic objectives signals that the company is well positioned to sustain or improve its performance.

C) substitute financial intent for strategic intent and judiciously concentrate on the mission of making a profit.

D) not allocate any resources to the achievement of strategic objectives until it is very clear that the company can meet or beat its stretch financial performance targets.

E) avoid use of the balanced-scorecard philosophy since achievement of financial performance targets is obviously more important than the achievement of strategic performance targets.

54) A company that pursues and achieves strategic objectives

A) is likely to weaken the achievement of its short-term and long-term financial objectives.

B) believes that the company's financial performance is not as important as it really is.

C) is generally not strongly focused on its true mission of making a profit.

D) is frequently in a better position to improve its future financial performance because of the increased competitiveness that flows from the achievement of strategic objectives.

E) is likely to be a weak financial performer because diverting resources to the pursuit of strategic objectives takes away from the achievement of financial performance targets.

55) A company needs performance targets or objectives

A) to help guide managers in deciding what strategic path to take in the event that a strategic inflection point is encountered.

B) because they give the company clear-cut strategic intent.

C) in order to unify the company's strategic vision and business model.

D) for its operations as a whole and also for each of its separate businesses, product lines, functional departments, and individual work units.

E) in order to prevent lower-level organizational units from establishing their own objectives.

56) Company objectives

A) are needed only in those areas directly related to a company's short-term and long-term financial strength.

B) need to be broken down into performance targets for separate businesses, product lines, functional departments, and individual work units.

C) play the important role of establishing the direction toward which an organization needs to be headed.

D) are important because they help guide managers in deciding what the company's strategic intent should be.

E) should support, but not conflict with, the performance targets of lower-level organizational units.

57) When trade-offs have to be made between achieving long-term and achieving short-term objectives

A) long-term objectives should take precedence unless the short-term performance targets have unique importance.

B) long-term objectives should take precedence because of the need for future survival.

C) short-term objectives should take precedence because they focus attention on delivering performance improvement.

D) short-term objectives should take precedence unless the long-term performance targets are not achievable.

E) long-term objectives should never take precedence until the short-term objective is achieved.

58) 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) is mainly an exercise that 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.

59) You have been hired as a consultant to Brad Black and Susan Griffin-Black, cofounders and top managers of one of the last remaining large independently owned organic beauty companies, EO Products. What business strategy could the partners use to strengthen EO Products' market position and build a competitive advantage over its rivals?

A) Work with business unit heads to strengthen the EO Products' market position by improving the performance of a single line of business unit.
B) Improve the combined performance of the set of businesses EO Products' has diversified into by capturing cross-business synergies.
C) Address the questions of what businesses EO Products' should hold or divest.
D) Grow EO Products by acquisition, creation of a strategic alliance, or through internal development.
E) Provide guidance to EO Products towards which new markets to enter and how to best enter these new markets.

60) The faster a company's business environment is changing, the more critical it becomes for its managers to

A) pay attention to early warnings of future change and be willing to experiment to establish a market position in the future.
B) determine whether the company has a balanced scorecard for judging its performance.
C) establish controls to monitor the impact of external changes appropriately and ensure the internal environment is maintained.
D) replicate and implement only those strategies that have worked for rivals.
E) determine what changes should be made to its customer value proposition.

61) Why should long-run objectives take precedence over short-run objectives?

A) The focus is placed on improving performance in the long 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) Long-run objectives will keep the company in line with its balanced scorecard.

62) Financial objectives generally encompass

A) receiving a bond rating of AA or higher.

B) having broader or deeper technological capabilities than rivals.

C) having a wider product line than rivals.

D) overtaking key competitors on product performance, quality, or customer service.

E) achieving a market share of 9 percent.

63) Financial objectives for the Henhouse Brewing Company, a craft brewery, include

A) introducing five new products over the next 10 years.

B) reducing product development time by one-third to half the current rate of 24 months.

C) developing stronger national and global distribution capabilities than competitors.

D) boosting internal cash flows by 7 percent to fund new brewing research and development activities.

E) improving security and stability of information technology capabilities to prevent breaches and outages.

64) Strategy-making is

A) primarily the responsibility of key executives rather than a task for a company's entire management team.

B) more of a collaborative group effort that involves all managers and sometimes key employees, as opposed to being the function and responsibility of a few high-level executives.

C) first and foremost the function and responsibility of a company's strategic planning staff.

D) first and foremost the function and responsibility of a company's board of directors.

E) first and foremost the function of a company's chief executive officer, who formulates strategic initiatives and submits them to the board of directors for approval.

65) CrossFit operates on an affiliate model in which individual gyms—referred to as *boxes*—pay to affiliate with CrossFit HQ, which, in turn, provides certain benefits such as training, certification, resources, and qualifications for the sports elite events. During late spring 2020, CrossFit HQ and its founder-CEO, Greg Glassman, came under pressure from some of its sponsors and affiliates for not speaking out about important social issues related to civil rights and racial equality, with questions about where the company and its leader stood on the issue of protests that were at the time under way across the United States and in other parts of the world. As a result, many sponsors and affiliates cut ties with CrossFit. Who should oversee CrossFit's response strategy?

A) The response should be a team effort, involving managers and often key employees at many levels of the organization.

B) Greg Glassman, Cross-Fit's chief executive officer, should oversee the strategy.

C) CrossFit's chief strategic planning officer, who should report directly to the company's CEO and board of directors. should oversee the response.

D) CrossFit's board of directors should oversee the response to approve or disapprove of the strategy formulated and proposed by the company's management.

E) Because each CrossFit manager has a strategy-making role (ranging from major to minor) for his or her area of responsibility, each should oversee the response strategy.

66) Managerial jobs with strategy-making responsibility

A) extend throughout the managerial ranks and exist in every part of a company—business units, operating divisions, functional departments, manufacturing plants, and sales districts.

B) are primarily located in the strategic planning departments of large corporations.

C) are relatively rare because most strategy-making is done by the members of a company's board of directors.

D) seldom exist within a functional department (e.g., marketing and sales) or in an operating unit (a plant or a district office) because these levels of the organization structure are well below the level where strategic decisions are typically made.

E) are found only at the vice-president level and above in most companies.

67) Crafting a company's strategy is best described as

A) the exclusive province of top management—owner-entrepreneurs, CEOs, and other very senior executives.

B) delegation of considerable strategy-making authority to down-the-line managers in charge of particular subsidiaries, product lines, geographic sales offices, and plants in companies that are diversified geographically or by product/market.

C) involving the board of directors in the lead role in crafting a company's strategy.

D) being assumed by an elite group of corporate entrepreneurs.

E) always the product of brilliant corporate entrepreneurs.

68) In a diversified company like Disney Inc., the process of crafting a strategy involves

A) determining whether its strategic intent is proactive or reactive.

B) a flexible strategic vision and strategic intent.

C) changing the base of its strategy-making pyramid as conditions warrant.

D) review and approval at every level by the company's board of directors.

E) a bundle of strategic initiatives and actions devised by managers and key employees up and down the whole organizational hierarchy.

69) The strategy-making hierarchy in a diversified company like Alibaba Group, an e-commerce giant based in China, consists of

A) corporate strategy, business strategies, functional strategies, and operating strategies.

B) business strategies, functional strategies, and operating strategies.

C) its diversification strategy, its line of business strategies, and its operating strategies.

D) corporate strategy and a group of business strategies (one for each line of business the corporation has diversified into).

E) corporate or managerial strategy, a set of business strategies, and divisional strategies within each business.

70) Corporate strategy for a diversified or multibusiness enterprise

A) is orchestrated by midlevel managers and focuses on how to create a competitive advantage in each specific line of business the total enterprise is in.

B) concerns how best to allocate resources across the departments of each line of business the company is in.

C) is orchestrated by senior corporate executives and centers around the kinds of initiatives the company uses to establish business positions in different industries.

D) deals chiefly with what the strategic intent of each of its business units should be.

E) involves how functional strategies should be aligned with business strategies in each of the various lines of business the company is in.

71) Business strategy concerns

A) strengthening the market position and building competitive advantage for a single line of business.

B) ensuring consistency in strategic approach among the businesses of a diversified company.

C) selecting a model for a single line of business to use in pursuing objectives that contribute to the whole of a diversified company.

D) selecting a set of stretch financial and strategic objectives for a single business unit.

E) choosing the most appropriate strategic intent for a specific line of business.

72) Business strategy, as distinct from corporate strategy, is chiefly concerned with

A) deciding what new businesses to enter, which existing businesses to get out of, and which existing business to remain in.

B) deciding how to build competitive advantage and improve performance in a particular line of business.

C) making sure the strategic intent of a particular business is in step with the company's overall strategic intent and strategy.

D) coordinating the competitive approaches of a company's different business units.

E) what business model to employ in each of the company's different businesses.

73) Functional-area strategies

A) concern the actions, approaches, and practices to be employed in managing particular functions within a business.

B) specify what actions a company should take to resolve specific strategic issues and problems.

C) are normally crafted by operating-level managers.

D) are concerned with how to unify the firm's several different operating strategies into a cohesive whole.

E) are normally crafted by the company's CEO and other senior executives.

74) The primary role of a functional strategy is to

A) unify the company's various operating-level strategies.

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) create compatible degrees of strategic intent among a company's different business functions.

E) determine how to support particular activities in ways that support the overall business strategy and competitive approach.

75) Operating strategies are primarily concerned with

A) what the firm's operating departments are doing and plan to do 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) how to manage initiatives of strategic significance within each functional area and adding detail and completeness in ways that support functional strategies and the overall business strategy.

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.

76) 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.

77) A company's strategic plan

A) details key objectives and the strategy for achieving them.

B) lays out its future direction and business purpose, performance targets, and strategy.

C) identifies the company's strategy and management's specific, detailed plans for implementation.

D) consists of a company's strategic vision, strategic objectives, strategic intent, and strategy.

E) summarizes the company's strategic vision, a strategy, and a business model.

78) You have been hired to manage the strategy execution process at Venmo, a mobile payments subsidiary of PayPal. Your primary tasks would include

A) ensuring policies and procedures facilitate rather than impede effective execution.

B) engendering a company culture and work climate that impedes successful strategy implementation and execution.

C) surveying employees for their opinions about how to implement strategies for cost reductions and improvements in employee morale and job satisfaction.

D) exerting your power to drive implementation forward and improve on how the strategy is being executed.

E) taking punitive actions against those staff that are unable to achieve performance objectives.

79) Managing the strategy-execution process involves

A) describing the strategic course that will help the company prepare for the future.

B) organizing the company along the lines of best practice.

C) surveying employees on how they think costs can be reduced and how employee morale and job satisfaction can be improved.

D) exerting the external leadership needed to drive stabilization.

E) tying rewards and incentives directly to profit.

80) 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) stay on track in achieving the company's mission and strategic vision.

C) keep the company's board of directors well-informed about the company's future outlook.

D) determine whether the company's business model is well-matched to changing market and competitive circumstances.

E) decide whether to continue or change the company's strategic vision, objectives, strategy, and/or strategy-execution methods.

81) The leadership challenges that top executives face in making corrective adjustments when things are not going well include

A) knowing when to replace poorly performing subordinates and when to do a better job of coaching them to do the right things.

B) being able to discern whether to promote better achievement of strategic performance targets or whether to promote better achievement of financial performance targets.

C) deciding when adjustments are needed and what adjustments to make.

D) having the analytic skills to separate the problems due to bad strategy execution.

E) 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.

82) The task of top executives of a U.S. lodging chain when the company faces major disruptions in its environment, for example, a fall-off in patronage due to a global pandemic and the economic repercussions due to widespread unemployment, is to not only raise questions about the appropriateness of its direction and strategy, but also to

A) ferret out the causes of disruptive changes and decide both when and what adjustments are needed for improved performance and operating excellence.

B) figure out whether to arrive at decisions quickly or slowly in choosing among the various alternative adjustments.

C) install new customer relationship management (CRM) systems and invest in robotics and automation that together will reduce the need for company personnel to perform essential activities to sustain operations.

D) decide whether to try to fix the problems of poor strategy execution or simply shift to a strategy that is easier to execute correctly.

E) decide how to identify the problems that need fixing.

83) In March 2019, the perpetrator of the Christchurch mosque shootings in New Zealand used Facebook to stream live footage of the attack as it unfolded. Victims included 49 dead and 51 injured at the Christchurch mosque. Facebook took 29 minutes to detect the livestreamed video, which was 8 minutes longer than it took police to arrest the gunman. About 1.3 million copies of the video were blocked from Facebook, but 300,000 copies were published and shared. Effective corporate governance requires Facebook’s board of directors to

A) play the lead role in forming the company's strategy and then directly supervise the efforts and actions of senior executives in implementing and executing the strategy.

B) provide guidance and counsel to the CEO in carrying out his or her duties as chief strategist and chief strategy implementer.

C) strengthen its oversight of the company's strategic direction, evaluate the caliber of senior executives' skills, handle executive compensation, and oversee financial reporting practices.

D) work closely with the CEO, senior executives, and the strategic planning staff to develop a strategic plan for the company and then oversee how well the CEO and senior executives carry out the board's directives in implementing and executing the strategic plan.

E) review and approve the company's business model and also review and approve the proposals and recommendations of the CEO as to how to execute the business model.

84) The key duties of a company's board of directors in the strategy-making, strategy-executing process include

A) coming up with compelling strategy proposals of their own to debate against those put forward by top management.

B) overseeing the company's financial accounting and financial reporting practices and evaluating the caliber of senior executives' strategy-making/strategy-executing skills.

C) taking the lead in developing the company's business model and strategic vision.

D) 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.

E) approving the company's operating strategies, functional-area strategies, business strategy, and overall corporate strategy.

85) The chief duties/responsibilities of a company's board of directors, with respect to strategy-making and strategy execution, are *not* concerned with

A) hiring and firing senior-level executives and working with the company's chief strategic planning officer to improve the company's strategy when performance comes up short of expectations.

B) being inquiring critics and exercising strong oversight over the company's direction, strategy, and business approaches.

C) evaluating the caliber of senior executives' strategy-making/strategy-executing skills.

D) instituting a compensation plan for top executives that rewards them for actions and results that serve stakeholders' interests, most especially those of shareholders.

E) overseeing the company's financial accounting and financial reporting practices.

86) Every corporation should have a strong independent board of directors that does all of the following *except*

A) remain well-informed about the company's performance and exercises its fiduciary duty to protect shareholders responsibly.

B) guide management in choosing a strategic direction and makes independent judgments about the validity and wisdom of management's proposed strategic actions.

C) evaluate the leadership skills of the CEO and other senior executives.

D) retain sufficient courage to curb management actions deemed inappropriate or unduly risky.

E) take responsibility for leading the strategy-making, strategy-executing process.

87) Corporate governance failures at Volkswagen included all of the following *except*

A) a unique ownership structure where a single family, Porsche, controlled more than 50 percent of voting shares.

B) a strong independent board of directors that was responsible for making independent judgments about the validity and wisdom of management's proposed strategic actions.

C) inadequate monitoring of the CEO and other senior executives.

D) elevating management to the supervisory board even though they had presided over past scandals.

E) unwillingness of the board of directors to accept any responsibility for allowing use of "defeat devices" on at least 11 million vehicles with diesel engines.

88) Strategic objectives for Lululemon Athletica do *not* include

A) exploring new concepts such as stores that are tailored to each community.

B) continuing to expand the brand globally through international expansion.

C) increasing total comparable sales, which includes comparable store sales and direct to consumer.

D) building a robust digital ecosystem with key investments in customer relationship management, analytics, and capabilities to elevate guest experience across all touch points.

E) improving employee job satisfaction.

89) The key characteristics of a well-stated organizational objective are *not* represented by

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

B) Lululemon's planned expansion of the brand globally through international market penetration, opening 11 new stores in Asia and Europe, including the first stores in China, South Korea, and Switzerland.

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

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

E) TOMS Shoes' one-for-one model that 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.

90) Allianz Italy, 7-Eleven, Wells Fargo Bank, Ford Motor Company, Verizon, ExxonMobil, Pfizer, DuPont, Royal Canadian Mounted Police, and U.S. Army Medical are examples of companies that have adopted the balanced scorecard in order to

A) balance the pursuit of good bottom-line profit against the pursuit of nonprofit objectives (although achieving profitability targets is nearly always given greater emphasis).

B) set both financial and strategic objectives and put balanced emphasis on their achievement.

C) prevent the pursuit of strategic objectives from dominating the pursuit of financial objectives.

D) put *equal* emphasis on the achievement of financial objectives, strategic objectives, and social responsibility objectives.

E) preclude the drive for achieving financial objectives from weakening the attention paid to social responsibility, community citizenship, and other worthy goals.

91) The difference between financial objectives and strategic objectives is

A) financial objectives need to be broken down into performance targets for each of the organization’s separate businesses, product lines, functional departments, and individual work units, while strategic objectives are needed only in those areas directly related to a company's short-term and long-term profitability.

B) financial objectives help answer the question “Where do we want to go?” and strategic objectives help answer the question “How are we going to get there?”

C) financial objectives determine the geographic and business scope of the company’s operations while strategic objectives should be set in a manner that does not conflict with the performance targets of lower-level organizational units.

D) financial objectives are needed only in those areas directly related to a company's short-term and long-term profitability while strategic objectives need to be broken down into performance targets for each of the organization’s separate businesses, product lines, functional departments, and individual work units.

E) financial objectives relate to the financial performance targets management has established for the organization to achieve, while strategic objectives relate to target outcomes that indicate a company is strengthening its market standing, competitive position, and future business prospects.

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

92) Identify the five integrated stages of the strategy-making, strategy-executing process, and which tasks each stage entails.

93) What is the difference between strategic vision and strategic intent? Provide at least one example of each term to support your answer.

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

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

96) Explain and provide an example of unsuccessful and successful uses of extreme stretch goals.

97) Is there a difference between a strategic vision and a mission statement? Please explain.

98) Explain how managers can decide to capture the vision of where an organization should head in a catchy or easily remembered slogan. Cite at least three examples of company slogans that capture a company's vision.

99) Identify and provide at least two examples illustrating the key characteristics of a well-stated organizational objective.

100) What is meant by the term "stretch objectives"? Is it important that companies establish stretch objectives? Why or why not?

101) Why does an organization need both financial and strategic objectives?

102) Explain the difference between financial objectives and strategic objectives. Give examples of each.

103) Margot, the VP of the Global Home Products division at Tiffany's, has been tasked with developing financial and strategic objectives. Tiffany's is a luxury jewelry and accessories company based in New York. In preparation for Tiffany’s acquisition by LVMH, a global luxury brands conglomerate, Margot has been asked to add short-term and longer-term performance targets. Is it important for her to spell out both of these short-term and long-term performance targets? Which time frame is more important? Are there trade-offs involved? Explain.

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

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

106) You have been recently hired as a strategic planning manager for HotelTonight. HotelTonight provides mobile applications for booking same-day unsold hotel deals. It offers a marketplace for hotels to fill tonight only and last-minute rooms that would otherwise remain empty; and enables guests to book the deals using their smartphones and tablets. HotelTonight was acquired by Airbnb in late 2019, and the incoming executive team has asked you for your opinion on the impact of setting objectives on company's future financial performance. Would you say that the achievement of strategic objectives or the achievement of financial objectives is most important in terms of impact? For what reason(s)?

107) Explain the role and responsibility of the CEO in the strategy-making, strategy-executing process. Name several CEOs and their companies that exemplify this role.

108) What are some of the arguments for and against adopting the balanced scorecard approach? Explain and then provide several examples of organizations that have adopted the balanced scorecard performance measurement system.

109) The task of crafting a company's strategy is typically a job for the company's whole management team, not just a small group of senior executives. True or false? Explain and support your answer.

110) Explain why a company's strategy is really a collection of strategies.

111) Compare and contrast the strategy-making hierarchy at Patagonia, a privately owned manufacturer and marketer of sustainable outdoor clothing, with the strategy-making hierarchy at Nike, a publicly traded multinational corporation engaged in the design, development, manufacturing, and worldwide marketing and sales of diversified footwear, apparel, equipment, accessories, and services.

112) Weak governance at Volkswagen contributed to the 2015 emissions-cheating scandal, which cost the company billions of dollars and the trust of its stakeholders. Explain.

113) An organization's strategic plan consists of the actions that management plans to take in the near future. True or false? Explain and justify your answer.

114) Identify and 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.

115) Identify and 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.

116) Six years after its founding, in 2009, at 25, Elizabeth Holmes, founder and CEO of Theranos, a company based in Palo Alto, California, that manufactured and marketed medical devices for testing blood, told a small group at Stanford University 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 were indicted on multiple counts of wire fraud and conspiracy to commit wire fraud. According to the indictment, investors and 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's board of directors have taken to provide good governance oversight and prevent this fraud from occurring?

117) A company's board of directors plays an independent and fiduciary role in corporate governance and the strategy-making, strategy-executing process. True or false? Please explain.

118) 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.

119) 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-making, strategy-executing process.

120) Compare and contrast the strategy-making task for a diversified multibusiness purveyor of jewelry and luxury home furnishings such as Tiffany's, as opposed to a single-business company such as GemX, a private jewelry social club.

121) Good strategic planning is *not* about eliminating risks, but increasing the odds of success. True or false? Explain.

Answer Key

Test name: Chapter 02 Test Bank

1) C
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 is unclear when it cannot convey the essence of a company’s business activities and purpose; thus Kampus Kombucha’s mission statement is vague and fairly uninformative.

2) C
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.

3) C
The process of crafting and executing a company's strategy is an ongoing, continuous process consisting of five interrelated stages: developing a strategic vision that charts the company's long-term direction; utilizing strategic management for measuring the company's performance and tracking its progress in moving in the intended long-term direction; crafting a strategy for advancing the company along the path management has charted and achieving its performance objectives; executing the chosen strategy efficiently and effectively; and 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) A

The process of crafting and executing a company's strategy is an ongoing, continuous process consisting of five interrelated stages: developing a strategic vision that charts the company's long-term direction; utilizing strategic management for measuring the company's performance and tracking its progress in moving in the intended long-term direction; crafting a strategy for advancing the company along the path management has charted and achieving its performance objectives; executing the chosen strategy efficiently and effectively; and 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.

5) 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 and described in detail in Table 2.1.

6) A

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

7) D

A strategic vision delineates management's aspirations for the business, providing a panoramic view of "where we are going" and a convincing rationale for why this makes good business sense for the company. A strategic vision thus points an organization in a particular direction, charts a strategic path for it to follow, builds commitment to the future course of action, and molds organizational identity. A clearly articulated strategic vision communicates management's aspirations to stakeholders (customers, employees, stockholders, suppliers, etc.) and helps steer the energies of company personnel in a common direction.

8) C
The real purpose of a vision statement is to serve as a management tool for giving the organization a sense of direction. A strategic vision delineates management's aspirations for the business, providing a panoramic view of "where we are going" and a convincing rationale for why this makes good business sense for the company. A strategic vision thus points an organization in a particular direction, charts a strategic path for it to follow, builds commitment to the future course of action, and molds organizational identity. A clearly articulated strategic vision communicates management's aspirations to stakeholders (customers, employees, stockholders, suppliers, etc.) and helps steer the energies of company personnel in a common direction.

9) A
Top management's views and conclusions about the company's long-term direction and what product-market-customer business mix seems optimal for the road ahead constitute a strategic vision for the company. A strategic vision delineates management's aspirations for the business, providing a panoramic view of "where we are going" and a convincing rationale for why this makes good business sense for the company.

10) D

The real purpose of a vision statement is to serve as a management tool for giving the organization a sense of direction. A strategic vision delineates management's aspirations for the business, providing a panoramic view of "where we are going" and a convincing rationale for why this makes good business sense for the company. A strategic vision thus points an organization in a particular direction, charts a strategic path for it to follow, builds commitment to the future course of action, and molds organizational identity. A clearly articulated strategic vision communicates management's aspirations to stakeholders (customers, employees, stockholders, suppliers, etc.) and helps steer the energies of company personnel in a common direction.

11) B

The real purpose of a vision statement is to serve as a management tool for giving the organization a sense of direction. A strategic vision delineates management's aspirations for the business, providing a panoramic view of "where we are going" and a convincing rationale for why this makes good business sense for the company. A strategic vision thus points an organization in a particular direction, charts a strategic path for it to follow, builds commitment to the future course of action, and molds organizational identity. A clearly articulated strategic vision communicates management's aspirations to stakeholders (customers, employees, stockholders, suppliers, etc.) and helps steer the energies of company personnel in a common direction.

12) A

The real purpose of a vision statement is to serve as a management tool for giving the organization a sense of direction. A strategic vision delineates management's aspirations for the business, providing a panoramic view of "where we are going" and a convincing rationale for why this makes good business sense for the company. A strategic vision thus points an organization in a particular direction, charts a strategic path for it to follow, builds commitment to the future course of action, and molds organizational identity.

13) C
See Illustration Capsule 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’s, Blake Mycoskie’s, aspiration of a mission with a company of 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 their core values can spur both revenue growth and giving back.

14) 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.

15) B

The real purpose of a vision statement is to serve as a management tool for giving the organization a sense of direction. A strategic vision delineates management's aspirations for the business, providing a panoramic view of "where we are going" and a convincing rationale for why this makes good business sense for the company. A strategic vision thus points an organization in a particular direction, charts a strategic path for it to follow, builds commitment to the future course of action, and molds organizational identity. A clearly articulated strategic vision communicates management's aspirations to stakeholders (customers, employees, stockholders, suppliers, etc.) and helps steer the energies of company personnel in a common direction.

16) A

Well-conceived visions are distinctive and specific to a particular organization; they avoid generic, feel-good statements. For a strategic vision to function as a valuable management tool, it must convey what top executives want the business to look like and provide managers at all organizational levels with a reference point in making strategic decisions and preparing the company for the future. It must say something definitive about how the company's leaders intend to position the company beyond where it is today.

17) C

The real purpose of a vision statement is to serve as a management tool for giving the organization a sense of direction. A strategic vision delineates management's aspirations for the business, providing a panoramic view of "where we are going" and a convincing rationale for why this makes good business sense for the company. A strategic vision thus points an organization in a particular direction, charts a strategic path for it to follow, builds commitment to the future course of action, and molds organizational identity. A clearly articulated strategic vision communicates management's aspirations to stakeholders (customers, employees, stockholders, suppliers, etc.) and helps steer the energies of company personnel in a common direction.

18) E
A strategic vision delineates management's aspirations for the business, providing a panoramic view of "where we are going" and a convincing rationale for why this makes good business sense for the company. A strategic vision thus points an organization in a particular direction, charts a strategic path for it to follow, builds commitment to the future course of action, and molds organizational identity. A clearly articulated strategic vision communicates management's aspirations to stakeholders (customers, employees, stockholders, suppliers, etc.) and helps steer the energies of company personnel in a common direction.

19) C
An effectively worded vision statement should be graphic, painting a clear picture of where the company is headed and the market position(s) the company is striving to stake out; focused on providing managers with guidance in making decisions and allocating resources; and forward-looking and directional, describing the strategic course that will help the company prepare for the future.

20) D

An effectively worded vision statement should be graphic, painting a clear picture of where the company is headed and the market position(s) the company is striving to stake out; focused on providing managers with guidance in making decisions and allocating resources; forward-looking and directional, describing the strategic course that will help the company prepare for the future; and memorable—it should be reducible to a few choice lines.

21) B
While wording a vision statement, do not be vague or incomplete—never skimp on specifics about where the company is headed or how the company intends to prepare for the future; do not state the vision in bland or uninspiring terms—the best vision statements have the power to motivate company personnel and inspire shareholder confidence about the company's future; do not be generic—a vision statement that could apply to companies in any of several industries (or to any of several companies in the same industry) is not specific enough to provide any guidance; do not rely on superlatives—visions that claim the company's strategic course is the "best" or "most successful" usually lack specifics about the path the company is taking to get there.

22) C

While wording a vision statement, do not be vague or incomplete—never skimp on specifics about where the company is headed or how the company intends to prepare for the future; do not state the vision in bland or uninspiring terms—the best vision statements have the power to motivate company personnel and inspire shareholder confidence about the company's future; do not be generic—a vision statement that could apply to companies in any of several industries (or to any of several companies in the same industry) is not specific enough to provide any guidance; do not rely on superlatives—visions that claim the company's strategic course is the "best" or "most successful" usually lack specifics about the path the company is taking to get there.

23) C
It is particularly important for executives to provide a compelling rationale for a dramatically new strategic vision and company direction. When company personnel don't understand or accept the need for redirecting organizational efforts, they are prone to resist change. Hence, explaining the basis for the new direction, addressing employee concerns head-on, calming fears, lifting spirits, and providing updates and progress reports as events unfold all become part of the task in mobilizing support for the vision and winning commitment to needed actions.

24) B

It is particularly important for executives to provide a compelling rationale for a dramatically new strategic vision and company direction. When company personnel do not understand or accept the need for redirecting organizational efforts, they are prone to resist change. Hence, explaining the basis for the new direction, addressing employee concerns head-on, calming fears, lifting spirits, and providing updates and progress reports as events unfold all become part of the task in mobilizing support for the vision and winning commitment to needed actions.

25) C

The task of effectively conveying the vision to company personnel is assisted when management can capture the vision of where to head in a catchy or easily remembered slogan. A number of organizations have summed up their vision in a brief phrase.

26) A

It is particularly important for executives to provide a compelling rationale for a dramatically *new* strategic vision and company 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." 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." When company personnel don't understand or accept the need for redirecting organizational efforts, they are prone to resist change.

27) B

It is particularly important for executives to provide a compelling rationale for a dramatically *new* strategic vision and company direction. When company personnel do not understand or accept the need for redirecting organizational efforts, they are prone to resist change.

28) 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.

29) C
For a strategic vision to function as a valuable management tool, it must convey what top executives want the business to look like and provide managers at all organizational levels with a reference point in making strategic decisions and preparing the company for the future. It must say something definitive about how the company's leaders intend to position the company beyond where it is today.

30) E
A clearly articulated strategic vision communicates management's aspirations to stakeholders (customers, employees, stockholders, suppliers, etc.) and helps steer the energies of company personnel in a common direction.

31) A
A mission statement describes the enterprise's present business and purpose—"who we are, what we do, and why we are here." It is purely descriptive.

32) D

The defining characteristic of a strategic vision is what it says about the company's future strategic course—"the direction we are headed and the shape of our business in the future." It is aspirational. In contrast, a mission statement describes the enterprise's present business and purpose—"who we are, what we do, and why we are here."

33) B

The defining characteristic of a strategic vision is what it says about the company's future strategic course—"the direction we are headed and the shape of our business in the future." It is aspirational. In contrast, a mission statement describes the enterprise's present business and purpose—"who we are, what we do, and why we are here."

34) E

A mission statement describes the enterprise's present business and purpose—"who we are, what we do, and why we are here." It is purely descriptive.

35) B

Profit is more correctly an objective and a result of what a company does. Moreover, earning a profit is the obvious intent of every commercial enterprise.

36) D

By values (or core values, as they are often called), we mean certain designated beliefs, traits, and behavioral norms that management has determined should guide the pursuit of its vision and mission.

37) C

Values relate to such things as fair treatment, honor and integrity, ethical behavior, innovativeness, teamwork, a passion for top-notch quality or superior customer service, social responsibility, and community citizenship.

38) E

See discussion in Ch. 2.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, unfocused, lacks detail, 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.

39) A

Well-stated objectives must be specific, quantifiable or measurable , and challenging and must contain a deadline for achievement .

40) 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 .

41) C

A company exhibits strategic intent when it relentlessly pursues an ambitious strategic objective, concentrating the full force of its resources and competitive actions on achieving that objective.

42) B

A company exhibits strategic intent when it relentlessly pursues an ambitious strategic objective, concentrating the full force of its resources and competitive actions on achieving that objective.

43) A

One of the best ways to promote outstanding company performance is for managers to deliberately set performance targets high enough to stretch an organization to perform at its full potential and deliver the best possible results. Challenging company personnel to go all out and deliver stretch gains in performance pushes an enterprise to be more inventive, to exhibit more urgency in improving both its financial performance and its business position, and to be more intentional and focused in its actions.

44) B

Financial objectives relate to the financial performance targets management has established for the organization to achieve.

45) A

Common financial objectives are: 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*; or internal cash flows of *x* dollars to fund new capital investment.

46) C

Common strategic objectives are: winning an *x* percent market share; achieving lower overall costs than rivals; overtaking key competitors on product performance, quality, or customer service; deriving *x* percent of revenues from the sale of new products introduced within the past five years; having broader or deeper technological capabilities than rivals; having a wider product line than rivals; having a better-known or more powerful brand name than rivals; having stronger national or global sales and distribution capabilities than rivals; or consistently getting new or improved products to market ahead of rivals.

47) B
Strategic objectives relate to target outcomes that indicate a company is strengthening its market standing, competitive position, and future business prospects.

48) E
Challenging company personnel to go all out and deliver stretch gains in performance pushes an enterprise to be more inventive, to exhibit more urgency in improving both its financial performance and its business position, and to be more intentional and focused in its actions.

49) C
One of the best ways to promote outstanding company performance is for managers to deliberately set performance targets high enough to stretch an organization to perform at its full potential and deliver the best possible results. Challenging company personnel to go all out and deliver stretch gains in performance pushes an enterprise to be more inventive, to exhibit more urgency in improving both its financial performance and its business position, and to be more intentional and focused in its actions.

50) C

A company exhibits strategic intent when it relentlessly pursues an ambitious strategic objective, concentrating the full force of its resources and competitive actions on achieving that objective.

51) E
The balance 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.

52) D
A company's financial performance measures are really lagging indicators that reflect the results of past decisions and organizational activities. But a company's past or current financial performance is not a reliable indicator of its future prospects—poor financial performers often turn things around and do better, while good financial performers can fall upon hard times. The best and most reliable leading indicators of a company's future financial performance and business prospects are strategic outcomes that indicate whether the company's competitiveness and market position are stronger or weaker.

53) B
The best and most reliable leading indicators of a company's future financial performance and business prospects are strategic outcomes that indicate whether the company's competitiveness and market position are stronger or weaker. The accomplishment of strategic objectives signals that the company is well positioned to sustain or improve its performance.

54) D

A stronger market standing and greater competitive vitality—especially when accompanied by competitive advantage—is what enables a company to improve its financial performance.

55) D
Objective setting should not stop with top management's establishing of company-wide performance targets. Company objectives need to be broken down into performance targets for each of the organization's separate businesses, product lines, functional departments, and individual work units. Employees within various functional areas and operating levels will be guided much better by specific objectives relating directly to their departmental activities than broad organizational-level goals.

56) B
Company objectives need to be broken down into performance targets for each of the organization's separate businesses, product lines, functional departments, and individual work units. Employees within various functional areas and operating levels will be guided much better by specific objectives relating directly to their departmental activities than broad organizational-level goals.

57) A
When trade-offs have to be made between achieving long-term objectives and achieving short-term objectives, long-term objectives should take precedence (unless the achievement of one or more short-term performance targets has unique importance).

58) A

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, how to respond to changing market conditions, how to capitalize on attractive opportunities to grow the business, and how to achieve strategic and financial objectives.

59) A
The text explains the difference between a business strategy and a corporate strategy. 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.

60) A

The faster a company's business environment is changing, the more critical it becomes for its managers to be good entrepreneurs in diagnosing the direction and force of the changes under way and in responding with timely adjustments in strategy. Strategy makers have to pay attention to early warnings of future change and be willing to experiment with dare-to-be-different ways to establish a market position in that future.

61) A
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).

62) A
According to the Financial Objectives listed in Table 2.3, achieving a chosen bond rating is a financial objective. The other choices are listed as strategic objectives in Table 2.3.

63) D
According the financial and strategic objectives listed in Table 2.3, boosting internal cash flows for reinvestment purposes, such as R&D, is a financial objective, while introducing new product, reducing product development cycle time, improving information technology, improving teamwork, and increasing returns on equity are all strategic objectives.

64) B
As a general rule, strategy-making must start at the top of the organization and then proceed downward from the corporate level to the business level and then from the business level to the associated functional and operating levels.

65) D
Although senior managers have the lead responsibility for crafting and executing a company's strategy, it is the duty of a company's board of directors to exercise strong oversight and see that management performs the various tasks involved in each of the five stages of the strategy-making, strategy-executing process in a manner that best serves the interests of shareholders and other stakeholders. Glassman was subsequently forced out as CEO on June 9, 2020, in part due to his initial lack of response and later, his insensitive responses via Twitter, and sold his gym business to a Colorado technology executive on June 24, 2020.

66) A
In most of today's companies, crafting and executing strategy is a collaborative team effort in which every company manager plays a strategy-making role—ranging from minor to major—for the area he or she heads.

67) B
Strategy making is by no means solely a top management function, the exclusive province of owner-entrepreneurs, CEOs, high-ranking executives, and board members. The more a company's operations cut across different products, industries, and geographic areas, the more that headquarters executives have little option but to delegate considerable strategy-making authority to down-the-line managers in charge of particular subsidiaries, divisions, product lines, geographic sales offices, distribution centers, and plants.

68) E

In diversified companies like Disney Inc., where multiple and sometimes strikingly different businesses have to be managed, crafting a full-fledged strategy involves four distinct types of strategic actions and initiatives. Each of these involves different facets of the company's overall strategy and calls for the participation of different types of managers.

69) A
In diversified companies like Alibaba Group, where multiple and sometimes strikingly different businesses have to be managed, crafting a full-fledged strategy involves four distinct types of strategic actions and initiatives. Each of these involves different facets of the company's overall strategy—corporate, business, functional-area, and operating—and calls for the participation of different types of managers.

70) C
In diversified companies, corporate strategy 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. 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.

71) A
Business strategy is concerned with strengthening the market position, building competitive advantage, and improving the performance of a single line of business unit.

72) B
Business strategy is concerned with strengthening the market position, building competitive advantage, and improving the performance of a single line of business unit.

73) A

Functional-area strategies concern the approaches employed in managing particular functions within a business—like research and development (R&D), production, procurement of inputs, sales and marketing, distribution, customer service, and finance.

74) E

Functional-area strategies concern the approaches employed in managing particular functions within a business—like research and development (R&D), production, procurement of inputs, sales and marketing, distribution, customer service, and finance.

75) C

Operating strategies concern the relatively narrow approaches for managing key operating units (e.g., plants, distribution centers, purchasing centers) and specific operating activities with strategic significance (e.g., quality control, materials purchasing, brand management, Internet sales).

76) B

In single-business companies, the uppermost level of the strategy-making hierarchy is the business strategy, so a single-business company has three levels of strategy: business strategy, functional-area strategies, and operating strategies.

77) B

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.

78) A

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; and exerting the internal leadership needed to propel implementation forward.

79) B
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; and exerting the internal leadership needed to propel implementation forward.

80) E

The fifth component of the strategy management process—monitoring new external developments, evaluating the company's progress, and making corrective adjustments—is the trigger point for deciding whether to continue or change the company's vision and mission, objectives, strategy, and/or strategy-execution methods.

81) C
Top-notch strategy execution entails vigilantly searching for ways to improve and then making corrective adjustments whenever and wherever it is useful to do so.

82) A
Top-notch strategy execution entails vigilantly searching for ways to improve and then making corrective adjustments whenever and wherever it is useful to do so.

83) C
The social network has been under intense pressure for its hands-off approach in allowing depictions of violence, misinformation, and hate speech to spread on its site. How the Facebook board responds to pressure from the public and from governments around the world amid the sustained public debate regarding Facebook’s stance on promoting free speech will probably define the future of this social media business. Effective corporate governance requires the board of directors to oversee the company's strategic direction, evaluate its senior executives, handle executive compensation, and oversee financial reporting practices.

84) B

A company's board of directors has four important obligations to fulfill: oversee the company's financial accounting and financial reporting practices; critically appraise the company's direction, strategy, and business approaches; evaluate the caliber of senior executives' strategic leadership skills; and institute a compensation plan for top executives that rewards them for actions and results that serve shareholder interests.

85) A
A company's board of directors has four important obligations to fulfill: oversee the company's financial accounting and financial reporting practices; critically appraise the company's direction, strategy, and business approaches; evaluate the caliber of senior executives' strategic leadership skills; institute a compensation plan for top executives that rewards them for actions and results that serve shareholder interests.

86) E
Every corporation should have a strong independent board of directors that (1) is well-informed about the company's performance, (2) guides and judges the CEO and other top executives, (3) has the courage to curb management actions the board believes are inappropriate or unduly risky, (4) certifies to shareholders that the CEO is doing what the board expects, (5) provides insight and advice to management, and (6) is intensely involved in debating the pros and cons of key decisions and actions.

87) B

See Illustration Capsule 2.4. The key feature of Volkswagen's board that appeared to have led to the emissions scandal was its lack of independent directors. German corporations operate with two-tier governance structures—a management board, and a separate supervisory board that does not contain any current executives. In addition, German law requires large companies like Volkswagen to have at least 50 percent supervisory board representation from workers. This structure is meant to provide more oversight by independent board members and greater involvement by a wider set of stakeholders. In Volkswagen's case, these objectives were effectively circumvented. The company continued to elevate management to the supervisory board even though they have presided over past scandals. Volkswagen also had a unique ownership structure where a single family, Porsche, controlled more than 50 percent of voting shares. The company lost numerous independent directors during the most recent decade, leaving it with only one non-shareholder, non-labor representative.

88) E

Among the strategic objectives for Lululemon Inc. are: (1) optimize and strategically grow square footage in North America; (2) explore new concepts such as stores that are tailored to each community; (3) build a robust digital ecosystem with key investments in customer relationship management, analytics, and capabilities to elevate guest experience across all touch points; (4) continue to expand the brand globally through international expansion, open 11 new stores in Asia and Europe, which include the first stores in China, South Korea, and Switzerland—operating a total of 50+ stores across nine countries outside of North America; (5) increase net revenue 14 percent to $2.3 billion in fiscal 2016; (6) increase total comparable sales, which includes comparable store sales and direct to consumer by 6 percent in fiscal 2016; (7) increase gross profit for fiscal 2016 by 20 percent to $1.2 billion; (8) increase gross profit as a percentage of net revenue, or gross margin, by 51.2 percent; and (9) increase income from operations for fiscal 2016 by 14 percent to $421.2 million.

89) D

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

90) B

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. 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).

91) E
Financial objectives relate to the financial performance targets management has established for the organization to achieve. For example, an *x* percent increase in annual revenues; annual increases in after-tax profits of *x* percent; or annual increases in earnings per share of *x* percent. Strategic objectives relate to target outcomes that indicate a company is strengthening its market standing, competitive position, and future business prospects. For example, winning an *x* percent market share; achieving lower overall costs than rivals; or overtaking key competitors on product performance, quality, or customer service.

92) The process of crafting and executing a company's strategy is an ongoing, continuous process consisting of five interrelated stages.

1. Developing a strategic vision—that charts the company's long-term direction, a mission statement that describes the company's purpose, and a set of core values to guide the pursuit of the vision and mission.
2. Strategic management—to measure the company's performance and track 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 toward achieving its performance objectives.
4. Executing the chosen strategy—both efficiently and effectively.
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.

93) A strategic vision delineates management's aspirations for the business, providing a panoramic view of "where we are going" and a convincing rationale for why this makes good business sense for a particular company. The vision of Google's cofounders Larry Page and Sergey Brin "to organize the world's information and make it universally accessible and useful" provides one good example; Keurig's "Become the world's leading personal beverage systems company" is another example.

A company exhibits strategic intent when it relentlessly pursues an ambitious strategic objective, concentrating the full force of its resources and competitive actions on achieving that objective. Earning a profit is the obvious intent of every commercial enterprise. Mentioned in this regard in Chapter 2 of the text are companies such as Gap Inc., Edward Jones, Honda, The Boston Consulting Group, Citigroup, DreamWorks Animation, and Intuit—all striving to earn a profit for shareholders.

94) True. A well-conceived strategic vision is distinctive and specific to a particular organization; it avoids generic, feel-good statements like "We will become a global leader and the first choice of customers in every market we serve." The real purpose of a vision statement is to serve as a management tool for giving the organization a sense of direction. 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; (3) it is a tool for winning the support of organization members to help make the vision a reality; (4) it provides a beacon for lower-level managers in setting departmental objectives and crafting departmental strategies that are in sync with the company's overall strategy; and (5) it helps an organization prepare for the future. When top executives are able to demonstrate significant progress in achieving these five benefits, the first step in organizational direction setting has been successfully completed.

95) Top management's views and conclusions about the company's long-term direction and what product-market-customer business mix seems optimal for the road ahead constitute a strategic vision for an organization. A strategic vision delineates management's aspirations for the organization, providing a panoramic view of "where we are going" and a convincing rationale for why this makes good business sense for the company. A strategic vision thus points an organization in a particular direction, charts a strategic path for it to follow, builds commitment to the future course of action, and molds organizational identity. A clearly articulated strategic vision communicates management's aspirations to stakeholders (customers, employees, stockholders, suppliers, etc.) and helps steer the energies of personnel in a common direction.

96) Extreme stretch goals, involving radical expectations, fail more often than not. And failure to meet such goals can kill motivation, erode employee confidence, and damage both worker and company performance. CEO Marissa Mayer's inability to return Yahoo! to greatness is a case in point. High-profile success stories at companies such as Southwest Airlines, Tesla, 3M, CSX, and General Electric provide evidence of how extreme stretch goals can work to a company's advantage. However, research suggests that success of this sort depends upon two conditions being met: (1) the company must have ample resources available and (2) its recent performance must be strong.

97) The defining characteristic of a strategic vision is what it says about the company's future strategic course—"the direction we are headed and the shape of our business in the future." It is aspirational. In contrast, a mission statement describes the enterprise's present business and purpose—"who we are, what we do, and why we are here." It is purely descriptive. Ideally, a company mission statement (1) identifies the company's products and/or services, (2) specifies the buyers' needs that the company seeks to satisfy and the customer groups or markets that it serves, and (3) gives the company its own identity.

98) Creating a short slogan to illuminate an organization's direction and using it repeatedly as a reminder of "where we are headed and why" helps rally organization members to maintain their focus and hurdle whatever obstacles lie in the company's path.

- Instagram: "Capture and share the world's moments"
- Charles Schwab: "Helping investors help themselves"
- Scotland Yard: "Make London the safest major city in the world"

99) Well-stated objectives must be specific, quantifiable or measurable, and challenging and must contain a deadline for achievement. Concrete, measurable objectives are managerially valuable for three reasons: (1) they focus organizational attention and align actions throughout the organization, (2) they serve as yardsticks for tracking a company's performance and progress, and (3) they motivate employees to expend greater effort and perform at a high level. Illustration Capsule 2.3 in Chapter 2 provides three examples of well-stated organizational objectives in detail.

Jet Blue: Produce above-average industry margins by offering a quality product at a competitive price;generate revenues of over $6.6 billion, up 3.4 percent year over year; earn a net income of $759 million, an annual increase of 12.0 percent; further develop fare options, a cobranded, credit card, and the Mint franchise; commit to achieving total cost savings of $250-$300 million by 2020; kickoff multiyear, cabin restyling program; convert all core A321 aircraft from 190 to 200 seats; target growth in key cities like Boston, plan to grow 150 flights a day to 200 over the coming years; grow toward becoming the carrier of choice in South Florida; organically grow West Coast presence by expanding Mint offering to more transcontinental routes; and optimize fare mix to increase overall average fare.

Lululemon: Optimize and strategically grow square footage in North America; explore new concepts such as stores that are tailored to each community; build a robust digital ecosystem with key investments in customer relationship management, analytics, and capabilities to elevate guest experience across all touch points; continue to expand the brand globally through international expansion, open 11 new stores in Asia and Europe, which include the first stores in China, South Korea, and Switzerland—operating a total of 50-plus stores across nine countries outside of North America; increase net revenue 14 percent to $2.3

billion in fiscal 2016; increase total comparable sales, which includes comparable store sales and direct to consumer, by 6 percent in fiscal 2016; increase gross profit for fiscal 2016 by 20 percent to $1.2 billion; increase gross profit as a percentage of net revenue, or gross margin, by 51.2 percent; and increase income from operations for fiscal 2016 by 14 percent to $421.2 million.

General Mills: Generate low single-digit organic net sales growth and high single-digit growth in earnings per share. Deliver double-digit returns to shareholders over the long-term, To drive future growth, focus on Consumer First strategy to gain a deep understanding of consumer needs and respond quickly to give them what they want. More specifically, (1) grow cereal globally with a strong line-up of new products, including new flavors of iconic Cheerios; (2) innovate, in fast-growing segments of the yogurt category to improve performance and expand the yogurt platform into new cities in China; (3) expand distribution and advertising for high performing brands, such as Häagen-Dazs and Old El Paso; (4) build a more agile organization by streamlining support functions, 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; and (5) investing in strategic revenue management tools to optimize promotions, prices, and mix of products to drive sales growth.

100) Stretch objectives set performance targets high enough to stretch an organization to perform at its full potential and deliver the best possible results. The experiences of countless companies teach that one of the best ways to promote outstanding company performance is for managers to deliberately set performance targets high enough to stretch an organization to perform at its full potential and deliver the best possible results. Challenging company personnel to go all out and deliver stretch gains in performance pushes an enterprise to be more inventive, to exhibit more urgency in improving both its financial performance and its business position, and to be more intentional and focused in its actions. Stretch objectives spur exceptional performance and help build a firewall against contentment with modest gains in organizational performance.

101) Financial objectives communicate management's goals for financial performance. Strategic objectives are goals concerning a company's marketing standing and competitive position. The importance of setting and attaining financial objectives is obvious. Without adequate profitability and financial strength, a company's long-term health and ultimate survival are jeopardized. Furthermore, subpar earnings and a weak balance sheet alarm shareholders and creditors and put the jobs of senior executives at risk. However, good financial performance, by itself, is not enough. Of equal or greater importance is a company's strategic performance—outcomes that indicate whether a company's market position and competitiveness are deteriorating, holding steady, or improving. A stronger market standing and greater competitive vitality—especially when accompanied by competitive advantage—is what enables a company to improve its financial performance.

102) Financial objectives relate to the financial performance targets management has established for the organization to achieve. For example, an *x* percent increase in annual revenues; annual increases in after-tax profits of *x* percent; or annual increases in earnings per share of *x* percent. Strategic objectives relate to target outcomes that indicate a company is strengthening its market standing, competitive position, and future business prospects. For example, winning an *x* percent market share; achieving lower overall costs than rivals; or overtaking key competitors on product performance, quality, or customer service.

103) Margot's set of financial and strategic objectives should include both near-term and longer-term performance targets for the Tiffany's Global Home Products division. Short-term (quarterly or annual) objectives for the division should focus attention on delivering performance improvements in the current period and satisfy the acquiring company's expectations for near-term progress. Longer-term targets (three to five years off) force managers like Margot to consider what to do now to put the company in position to perform better under its new parent, LVMH. Long-term objectives are critical for achieving optimal long-term performance and stand as a barrier to a nearsighted management philosophy and an undue focus on short-term results. When trade-offs have to be made between achieving long-term objectives and achieving short-term objectives, long-term objectives should take precedence (unless the achievement of one or more short-term performance targets has unique importance).

104) A company's financial performance measures are actually lagging indicators that reflect the results of past decisions and organizational activities. But a company's past or current financial performance is not a reliable indicator of its future prospects—poor financial performers often turn things around and do better, while good financial performers can fall upon hard times. The best and most reliable leading indicators of a company's future financial performance and business prospects are strategic outcomes that indicate whether the company's competitiveness and market position are stronger or weaker. The accomplishment of strategic objectives signals that the company is well positioned to sustain or improve its future performance.

105) 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. It provides a company's employees with clear guidelines about how their jobs are linked to the overall objectives of the organization, so they can contribute most productively and collaboratively to the achievement of these goals.

106) A good financial performance, by itself, is not enough. Of equal or greater importance is HotelTonight’s strategic performance—outcomes that indicate whether this company's market position and competitiveness are deteriorating, holding steady, or improving. A stronger market standing and greater competitive vitality—especially when accompanied by competitive advantage—is what will enable HotelTonight as well as its parent, Airbnb, to achieve improvements in financial performance.

107) A company's senior executives have lead strategy-making roles and responsibilities. The chief executive officer (CEO), as captain of the ship, carries the mantles of chief direction setter, chief objective setter, chief strategy maker, and chief strategy implementer for the total enterprise. Ultimate responsibility for leading the strategy-making, strategy-executing process rests with the CEO. And the CEO is always fully accountable for the results the strategy produces, whether good or bad. In some enterprises, the CEO or owner functions as chief architect of the strategy, personally deciding what the key elements of the company's strategy will be, although he or she may seek the advice of key subordinates and board members. A CEO-centered approach to strategy development is characteristic of small owner–managed companies and some large corporations that were founded by the present CEO or that have a CEO with strong strategic leadership skills.

Elon Musk at Tesla Motors and SpaceX, Mark Zuckerberg at Facebook, Jeff Bezos at Amazon, Jack Ma of Alibaba, Warren Buffett at Berkshire Hathaway, and Marilyn Hewson at Lockheed Martin are highlighted in Chapter 2 as examples of high-profile corporate CEOs who have wielded a heavy hand in shaping their company's strategy.

108) The balanced scorecard is a performance measurement system linking financial performance objectives to specific strategic objectives that derive from a company's business model. It maps out the key objectives of a company, with performance indicators, along four dimensions:

* Financial: listing financial objectives
* Customer: objectives relating to customers and the market
* Internal process: objectives relating to productivity and quality
* Organizational: objectives concerning human capital, culture, infrastructure, and innovation

Done well, a balanced scorecard may provide a company's employees with clear guidelines about how their jobs are linked to the overall objectives of the organization, so they can contribute most productively and collaboratively to the achievement of these goals.

Despite its popularity, the balanced scorecard is not without limitations. Importantly, it may not capture some of the most important priorities of a particular organization, such as resource acquisition or partnering with other organizations. Further, the value of the balanced scorecard approach, as with most strategy tools, is contingent on implementation and follow-through as much as on substance. As noted in Chapter 2, examples of organizations that have successfully adopted the balanced scorecard approach include 7-Eleven, Ann Taylor Stores, Allianz Italy, Wells Fargo Bank, Ford Motor Company, Verizon, ExxonMobil, Pfizer, DuPont, Royal Canadian Mounted Police, U.S. Army Medical Command, and over 30 colleges and universities.

109) True. The more a company's operations cut across different products, industries, and geographic areas, the more that headquarters' executives have little option but to delegate considerable strategy-making authority to down-the-line managers in charge of particular subsidiaries, divisions, product lines, geographic sales offices, distribution centers, and plants. On-the-scene managers who oversee specific operating units can be reliably counted on to have more detailed command of the strategic issues and choices for the particular operating unit under their supervision—knowing the prevailing market and competitive conditions, customer requirements and expectations, and all the other relevant aspects affecting the several strategic options available. Managers with day-to-day familiarity of, and authority over, a specific operating unit thus have a big edge over headquarters executives in making wise strategic choices for their operating unit. The result is that, in most of today's companies, crafting and executing strategy is a collaborative team effort in which every company manager plays a strategy-making role—ranging from minor to major—for the area he or she heads.

110) Ideally, the pieces of a company's strategy up and down the strategy hierarchy should be cohesive and mutually reinforcing, fitting together like a jigsaw puzzle. It is the responsibility of top executives to achieve this unity by clearly communicating the company's vision, objectives, and major strategy components to down-the-line managers and key personnel. Midlevel and frontline managers cannot craft unified strategic moves without first understanding the company's long-term direction and knowing the major components of the corporate and/or business strategies that their strategy-making efforts are supposed to support and enhance. Anything less than a unified collection of strategies weakens the overall strategy and is likely to impair company performance. Thus, as a general rule, strategy making must start at the top of the organization and then proceed downward from the corporate level to the business level and then from the business level to the associated functional and operating levels. Once strategies up and down the hierarchy have been created, lower-level strategies must be scrutinized for consistency with and support of higher-level strategies. Any strategy conflicts must be addressed and resolved, either by modifying the lower-level strategies with conflicting elements or by adapting the higher-level strategy to accommodate what may be more appealing strategy ideas and initiatives bubbling up from below.

111) In single-business companies, the uppermost level of the strategy-making hierarchy is the business strategy, so a single-business company has three levels of strategy: business strategy, functional-area strategies, and operating strategies. Proprietorships, partnerships, and owner-managed enterprises like Patagonia may have only one or two strategy-making levels since it takes only a few key people to craft and oversee the firm's strategy. The larger and more diverse the operations of an enterprise, as illustrated by Nike, the more points of strategic initiative it has and the more levels of management that have a significant strategy-making role, adding increased complexity to decision making.

112) See Illustration Capsule 2.4. The key feature of Volkswagen's board that appeared to have led to the emissions scandal was its lack of independent directors. German corporations operate with two-tier governance structures, a management board, and a separate supervisory board that does not contain any current executives. In addition, German law requires large companies like Volkswagen to have at least 50 percent supervisory board representation from workers. This structure is meant to provide more oversight by independent board members and greater involvement by a wider set of stakeholders. In Volkswagen's case, these objectives were effectively circumvented. The company continued to elevate management to the supervisory board even though they had presided over past scandals. Volkswagen also had a unique ownership structure where a single family, Porsche, controlled more than 50 percent of voting shares. The company lost numerous independent directors during the most recent decade, leaving it with only one nonshareholder, nonlabor representative.

113) True. Developing a strategic vision and mission, strategic management, and crafting a strategy are basic direction-setting tasks. They map out where a company is headed, its purpose, the targeted strategic and financial outcomes, the basic business model, and the competitive moves and internal action approaches to be used in achieving the desired business results. Together, these elements constitute a strategic plan for coping with industry conditions, outcompeting rivals, meeting objectives, and making progress toward aspirational goals. Typically, a strategic plan includes a commitment to allocate resources to the plan and specifies a time period for achieving goals (usually three to five years).

114) 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.

115) 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:

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- Staffing the organization to obtain needed skills and expertise.
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- Creating a company culture conducive to successful strategy execution.
- Exerting the internal leadership needed to propel implementation forward.

116) 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.

117) True. Every corporation should have a strong independent board of directors that (1) is well informed about the company's performance, (2) guides and judges the CEO and other top executives, (3) has the courage to curb management actions the board believes are inappropriate or unduly risky, (4) certifies to shareholders that the CEO is doing what the board expects, (5) provides insight and advice to management, and (6) is intensely involved in debating the pros and cons of key decisions and actions. Boards of directors that lack the backbone to challenge a strong-willed or "imperial" CEO or that rubber-stamp almost anything the CEO recommends without probing inquiry and debate abdicate their fiduciary duty to represent and protect shareholder interests.

118)   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 a 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.

119) Faulty oversight of corporate accounting and financial reporting practices by audit committees and corporate boards during the early 2000s resulted in the federal investigation of more than 20 major corporations between 2000 and 2002, leading to passage of the Sarbanes-Oxley Act in 2002. All too often, boards of directors have done a poor job of ensuring that executive salary increases, bonuses, and stock option awards are tied tightly to performance measures that are truly in the long-term interests of shareholders. As a consequence, the need to overhaul and reform executive compensation has become a hot topic in both public circles and corporate boardrooms; for example, weak governance at Fannie Mae and Freddie Mac allowed opportunistic senior managers to secure exorbitant bonuses, while making decisions that imperiled the futures of the companies they managed.Also, many boards have found that meeting agendas have become consumed by compliance matters, thus little time is left to discuss matters of strategic importance.

120) In diversified, multibusiness companies such as Tiffany's, the strategy-making task involves four distinct types or levels of strategy: corporate strategy for the company as a whole, business strategy (one for each business the company has diversified into), functional-area strategies within each business, and operating strategies.A single-business enterprise like GemX has three levels of strategy: business strategy for the company as a whole, functional-area strategies (e.g., marketing, IT, logistics), and operating strategies (for key operating units, such as order processing and fulfillment or member services).

121) True. In choosing among opportunities and addressing the hows of strategy, strategists must embrace the risks of uncertainty and the discomfort that naturally accompanies such risks. Fast-changing business environments demand astute entrepreneurship searching for opportunities to do new things or to do existing things in new or better ways. Bold strategies involve making difficult choices and placing bets on the future. The faster a company’s business environment is changing, the more critical it becomes for its managers to be good entrepreneurs in diagnosing the direction and force of the changes underway and in responding with timely adjustments in strategy. Strategy-makers have to pay attention to early warnings of future change and be willing to experiment with dare-to-be-different ways to establish a market position in that future. When obstacles appear unexpectedly in a company’s path, it is up to management to adapt rapidly and innovatively. Masterful strategies come from doing things differently from rivals where it counts, such as being more imaginative, adapting faster rather than running with the herd, and out-innovating them. Good strategy-making is therefore inseparable from good business entrepreneurship. One cannot exist without the other.