

Chapter 2
LEADING STRATEGICALLY

True/False Questions

1. A well-formulated vision that is embraced by employees can give an organization an edge over its rivals.
True; Easy
2. A vision captures the key elements of the organization's past and present.
False; Easy
3. A mission ignores the key elements of the organization's past and present and looks mostly towards the future.
False; Easy
4. Organizations need support from their key stakeholders, such as employees, owners, suppliers, and customers, in order to prosper.
True; Easy
5. An organization is more effective to the extent that its vision and its mission target employees' effort in the same direction.
True; Easy
6. The most effective goals are those that are specific, measurable, aggressive, realistic, and time-bound.
True; Easy
7. Setting easy to reach organizational goals encourages employees to work just hard enough to reach them.
True; Easy
8. The balanced scorecard framework is designed to provide a "balance" between financial measures and other measures that are important for understanding organizational activities that lead to sustained, long-term performance.
True; Easy
9. Customer measures of performance are commonly articulated and emphasized within an organization's annual report to shareholders.
False; Easy
10. Internal business process measures of performance relate to customer attraction, satisfaction, and retention.
False; Easy
11. Learning and growth measures of performance relate to organizational efficiency.
False; Easy
12. The triple bottom line framework highlights areas such as social responsibility.
True; Easy
13. The triple bottom line framework ignores traditional organization profits as a measure of organizational performance.
False; Easy

14. A CEO celebrity can serve as an intangible asset for the CEO's firm.
True; Easy
15. Celebrity CEOs tend to receive higher compensation and job perks than their colleagues.
True; Easy
16. Hidden gems are CEOs who are well-known, but vilified.
False; Easy
17. Scoundrels are those CEOs who are closely monitored and scrutinized by the media.
True; Easy
18. Well-regarded celebrity CEOs always have totally untarnished reputations.
False; Easy
19. Entrepreneurial thinking and doing is limited to those who begin in their garage with a new idea, financed by family members or personal savings.
False; Easy
20. Thinking and behaving entrepreneurially can help a person's career.
True; Easy
21. The common element in all entrepreneurs is that they do something new and can make something out of opportunities that others cannot.
True; Easy
22. Some large organizations promote autonomy by empowering a division to make its own decisions, set its own objectives, and manage its own budgets.
True; Easy
23. Competitive aggressiveness is the tendency to avoid competitors rather than directly challenge them.
False; Easy
24. Excess of aggressiveness can undermine an organization's success.
True; Easy
25. Innovations always require brand new skills thus making existing skills obsolete.
False; Easy
26. Those organizations that are successful in their innovation efforts tend to enjoy stronger performance than those that do not.
True; Easy
27. A proactive organization is one that waits for an opportunity to come its way rather than seek one.
False; Easy
28. Most entrepreneurs take action only after using planning and forecasting to reduce uncertainty.
True; Easy
29. An organization that wants to encourage autonomy should foster a work environment with high levels of employee satisfaction and low levels of turnover.
True; Easy

30. Innovativeness of an organization can be gauged by considering how many patents has the firm obtained.
True; Easy

Multiple-choice Questions

31. An organization's _____ describes what the organization hopes to become in the future.
a. mission
b. dimension
c. scope
d. vision
e. value statement
d; Moderate
32. Skyway manufactures fighter jets. It aims to be the top aircraft manufacturing company in the world. This is an example of the _____ of the company.
a. vision
b. mission
c. dimension
d. scope
e. goal
a; Moderate
33. A steel manufacturing company wants to be among the fortune 500 companies in the next one year. This is an example of the _____ of the company.
a. vision
b. mission
c. dimension
d. scope
e. goal
a; Moderate
34. An organization's _____ describes the reasons for an organization's existence.
a. mission
b. dimension
c. scope
d. vision
e. goal
a; Moderate
35. A charitable organization provides education to poor children. It aims at providing education to every child who cannot afford to pay for his or her own education. This is an example of the _____ of the organization.
a. vision
b. mission
c. dimension
d. scope
e. goal
b; Moderate
36. An organization's _____ describes the narrower aims that organizations pursue in an effort to serve their visions and missions.
a. mission

- b. dimension
 - c. scope
 - d. vision
 - e. goal
- e; Moderate**

37. Which of the following statements describes the “specific” aspect of a goal?

- a. The goal that is achieved is quantifiable.
- b. The achievement of the goal is feasible.
- c. The goal is achieved through the creation of deadlines.
- d. The goal is explicit rather than vague.
- e. The goal presents a significant challenge to the organization.

d; Easy

38. An automobile manufacturing company wants to be the first company in the world to launch a car that would require no human intervention to run on the road. The fact that the company has an explicit goal reflects the _____ dimension of a goal.

- a. realistic
- b. aggressive
- c. measurable
- d. time-bound
- e. specific

e; Moderate

39. Which of the following statements describes the “measurable” aspect of a goal?

- a. The goal that is achieved is quantifiable.
- b. The achievement of the goal is feasible.
- c. The goal is achieved through the creation of deadlines.
- d. The goal is explicit rather than vague.
- e. The goal presents a significant challenge to the organization.

a; Easy

40. An automobile manufacturing company wants to be the first company in the world to launch a car that would require no human intervention to run on the road. It wants to do so by year 2020. The progress of the project can be easily calculated and assessed. The fact that this project can be easily assessed reflects the _____ dimension of a goal.

- a. realistic
- b. aggressive
- c. measurable
- d. time-bound
- e. specific

c; Moderate

41. Which of the following statements describes the “aggressive” aspect of a goal?

- a. The goal that is achieved is quantifiable.
- b. The achievement of the goal is feasible.
- c. The goal is achieved through the creation of deadlines.
- d. The goal is explicit rather than vague.
- e. The goal presents a significant challenge to the organization.

e; Easy

42. An automobile manufacturing company wants to be the first company in the world to launch a car that would require no human intervention to run on the road. It wants to do so by year 2020. The task presents a challenge to the engineering skills of the organization. The fact that the task presents a challenge to the organization reflects the

_____ dimension of a goal.

- a. realistic
- b. aggressive
- c. measurable
- d. time-bound
- e. specific

b; Moderate

43. Which of the following statements describes the “realistic” aspect of a goal?

- a. The goal that is achieved is quantifiable.
- b. The achievement of the goal is feasible.
- c. The goal is achieved through the creation of deadlines.
- d. The goal is explicit rather than vague.
- e. The goal presents a significant challenge to the organization.

b; Easy

44. An automobile manufacturing company wants to be the first company in the world to launch a car that would require no human intervention to run on the road. It wants to do so by year 2020. The company has the required technology and the required finances to come up with such a car. Therefore the plan seems to be feasible. The fact that the plan is viable and practicable reflects the _____ dimension of a goal.

- a. realistic
- b. aggressive
- c. measurable
- d. time-bound
- e. specific

a; Moderate

45. Which of the following statements describes the “time-bound” aspect of a goal?

- a. The goal that is achieved is quantifiable.
- b. The achievement of the goal is feasible.
- c. The goal is achieved through the creation of deadlines.
- d. The goal is explicit rather than vague.
- e. The goal presents a significant challenge to the organization.

c; Easy

46. An automobile manufacturing company wants to be the first company in the world to launch a car that would require no human intervention to run on the road. It wants to do so by year 2020. The fact that the company has a set target date to complete the task reflects the _____ dimension of a goal.

- a. realistic
- b. aggressive
- c. measurable
- d. time-bound
- e. specific

d; Moderate

47. _____ refers to how well a company is doing reaching its vision, mission, and goals.

- a. Developmental counseling
- b. Disparate impact
- c. Strategic management
- d. Trend analysis
- e. Organizational performance

e; Moderate

48. Performance _____ refers to a metric such as profits, stock price, and sales along which organizations can be gauged.
- count
 - referent
 - line
 - measure
 - mark
- d; Moderate**
49. A bakery generally makes a sale of \$4,000 every month. But during Christmas time it made a sale of \$6,000. That is, it registered an increase in its sales. The sales factor is a performance _____ to judge organizational performance.
- count
 - referent
 - line
 - measure
 - mark
- d; Moderate**
50. A performance _____ is a benchmark used to make sense of an organization's standing along a performance measure.
- count
 - referent
 - line
 - measure
 - mark
- b; Moderate**
51. A bakery generally makes a sale of \$4,000 every month. But during Christmas time it made a sale of \$6,000. That is, it registered a 50% increase in its sales during Christmas. During the same time other bakeries registered sales in excess of \$10,000. The fact that other bakeries registered sales in excess of \$10,000 can be used a yardstick to measure the performance of this particular bakery. This is referred to as the performance _____.
- count
 - referent
 - line
 - measure
 - mark
- b; Moderate**
52. _____ refers to an approach to assessing performance that targets managers' attention on four areas: financial, customer, internal business process, and learning and growth.
- SWOT analysis
 - PESTLE analysis
 - The balanced scorecard
 - The triple bottom line
 - EFQM Model
- c; Moderate**
53. Which of the following statements describes financial measures as a part of the balanced scorecard?
- They relates to client attraction, satisfaction, and retention.
 - They focus on innovation and proceeds with an understanding that strategies change over time.
 - They relate to organizational efficiency.

- d. They focus on corporate social responsibility.
- e. They relate to organizational effectiveness and profits.

e; Moderate

54. The stock price of an oil and natural gas exploration concern is \$100 per share. The value of the share is increasing by the day. This is an example of a(n) _____ measure used to assess organizational performance.
- a. internal business process
 - b. public responsibility
 - c. financial
 - d. customer
 - e. learning and growth

c; Moderate

55. Which of the following statements describes customer measures as a part of the balanced scorecard?
- a. They relate to client attraction, satisfaction, and retention.
 - b. They focus on innovation and proceeds with an understanding that strategies change over time.
 - c. They relate to organizational efficiency.
 - d. They focus on corporate social responsibility.
 - e. They relate to organizational effectiveness and profits.

a; Moderate

56. A law firm wants to increase its client strength. Therefore it has promised to offer free service to senior citizens. This has helped the organization gain new clients, as friends and relatives of the senior citizens having started using this law firm's services. Good legal counseling has helped it to retain its clients. This is an example of _____ measures used to assess organizational performance.
- a. internal business process
 - b. public responsibility
 - c. financial
 - d. customer
 - e. learning and growth

d; Moderate

57. Which of the following statements describes internal business process measures as a part of the balanced scorecard?
- a. They relate to client attraction, satisfaction, and retention.
 - b. They focus on innovation and proceeds with an understanding that strategies change over time.
 - c. They relate to organizational efficiency.
 - d. They focus on corporate social responsibility.
 - e. They relate to organizational effectiveness and profits.

c; Moderate

58. A take-out restaurant specializing in pizzas completes the order for a single pizza in 15 minutes. The employees of the restaurant are trained to deliver orders within the specified period. This is an example of a(n) _____ measure used to assess organizational performance.
- a. internal business process
 - b. public responsibility
 - c. financial
 - d. customer
 - e. learning and growth

a; Moderate

59. Which of the following statements describes learning and growth measures as a part of the balanced scorecard?
- They relate to client attraction, satisfaction, and retention.
 - They focus on innovation and proceeds with an understanding that strategies change over time.
 - They relate to organizational efficiency.
 - They focus on corporate social responsibility.
 - They relate to organizational effectiveness and profits.

b; Moderate

60. The management of a football club regularly encourages and funds its coaches and trainers to take courses on sports' science. They believe that the application of scientific principles and techniques helps its players to improve their performance on the field. This is an example of a(n) _____ measure used to assess organizational performance.
- internal business process
 - public responsibility
 - financial
 - customer
 - learning and growth

e; Moderate

61. _____ refers to an approach to assessing performance that emphasizes the concerns of people and the planet in addition to profit.
- SWOT analysis
 - PESTLE analysis
 - The balanced scorecard
 - The triple bottom line
 - EFQM Model

d; Moderate

62. The _____ aspect of a performance measuring framework makes sure that the actions of an organization are socially responsible.
- profit
 - place
 - planet
 - people
 - promotion

d; Moderate

63. A supermarket purchases its vegetables from local farmers. It also ensures that it purchases the vegetables from farmers located closest to the supermarket so that the distance covered in transport is minimal. This reduces pollution. The supermarket also earns good profits. The fact that the supermarket purchases its vegetables from local farmers and demonstrates social responsibility reflects the _____ aspect of the triple bottom line framework.
- promotion
 - planet
 - people
 - profit
 - place

c; Moderate

64. The _____ aspect of a performance measuring framework makes sure that organizations

act in a way that promotes environmental sustainability.

- a. profit
- b. place
- c. planet
- d. people
- e. promotion

c; Moderate

65. A supermarket purchases its vegetables from local farmers. It also ensures that it purchases the vegetables from farmers located closest to the supermarket so that the distance covered in transport is minimal. This reduces pollution. The supermarket also earns good profits. The fact that the supermarket tries to make a reasonable contribution to lessening pollution reflects the _____ aspect of the triple bottom line framework.

- a. promotion
- b. planet
- c. people
- d. profit
- e. place

b; Moderate

66. _____ refer to CEOs possessing both fame and strong reputations.

- a. Backseat drivers
- b. Icons
- c. Silent killers
- d. Hidden gems
- e. Scoundrels

b; Moderate

67. _____ refer to CEOs displaying high levels of relative fame but low levels of reputation.

- a. Backseat drivers
- b. Icons
- c. Silent killers
- d. Hidden gems
- e. Scoundrels

e; Moderate

68. _____ are CEOs who lack fame but possess positive reputations.

- a. Backseat drivers
- b. Icons
- c. Silent killers
- d. Hidden gems
- e. Scoundrels

d; Moderate

69. _____ refer to CEOs who are overlooked and ignored sources of harm to their firms.

- a. Backseat drivers
- b. Icons
- c. Silent killers
- d. Hidden gems
- e. Scoundrels

c; Moderate

70. Entrepreneurial _____ is a term that refers to the processes, practices, and decision-making styles of organizations that act entrepreneurially.

- a. orientation

- b. measure
- c. analysis
- d. culture
- e. referent

a; Moderate

71. Which of the following statements describes the term “autonomy” as a dimension of entrepreneurial orientation?
- a. It refers to the tendency to anticipate and act on future needs.
 - b. It refers to the tendency to pursue creativity and experimentation.
 - c. It tells whether an individual or team of individuals within an organization has the freedom to develop an entrepreneurial idea and then see it through to completion.
 - d. It refers to the tendency to intensely and directly challenge competitors.
 - e. It refers to the tendency to engage in bold rather than cautious actions.

c; Moderate

72. Which of the following statements describes the term “competitive aggressiveness” as a dimension of entrepreneurial orientation?
- a. It refers to the tendency to anticipate and act on future needs.
 - b. It refers to the tendency to pursue creativity and experimentation.
 - c. It tells whether an individual or team of individuals within an organization has the freedom to develop an entrepreneurial idea and then see it through to completion.
 - d. It refers to the tendency to intensely and directly challenge competitors.
 - e. It refers to the tendency to engage in bold rather than cautious actions.

d; Moderate

73. Which of the following statements describes the term “innovativeness” as a dimension of entrepreneurial orientation?
- a. It refers to the tendency to anticipate and act on future needs.
 - b. It refers to the tendency to pursue creativity and experimentation.
 - c. It tells whether an individual or team of individuals within an organization has the freedom to develop an entrepreneurial idea and then see it through to completion.
 - d. It refers to the tendency to intensely and directly challenge competitors.
 - e. It refers to the tendency to engage in bold rather than cautious actions.

b; Moderate

74. Which of the following statements describes the term “proactiveness” as a dimension of entrepreneurial orientation?
- a. It refers to the tendency to anticipate and act on future needs.
 - b. It refers to the tendency to pursue creativity and experimentation.
 - c. It tells whether an individual or team of individuals within an organization has the freedom to develop an entrepreneurial idea and then see it through to completion.
 - d. It refers to the tendency to intensely and directly challenge competitors.
 - e. It refers to the tendency to engage in bold rather than cautious actions.

a; Moderate

75. Which of the following statements describes the term “risk-taking” as a dimension of entrepreneurial orientation?
- a. It refers to the tendency to anticipate and act on future needs.
 - b. It refers to the tendency to pursue creativity and experimentation.
 - c. It tells whether an individual or team of individuals within an organization has the freedom to develop an entrepreneurial idea and then see it through to completion.
 - d. It refers to the tendency to intensely and directly challenge competitors.
 - e. It refers to the tendency to engage in bold rather than cautious actions.

e; Moderate

Essay Questions

76. What is the difference between performance measures and performance referents?
A performance measure is a metric along which organizations can be gauged. Most executives examine measures such as profits, stock price, and sales in an attempt to better understand how well their organizations are competing in the market. But these measures provide just a glimpse of organizational performance. Performance referents are also needed in order to assess whether an organization is doing well. A performance referent is a benchmark used to make sense of an organization's standing along a performance measure.

Moderate

77. What is a balanced scorecard?
Professors Robert Kaplan and David Norton of Harvard University developed a tool called the balanced scorecard to organize an organization's performance measures. Using the scorecard helps managers resist the temptation to fixate on financial measures and instead monitor a diverse set of important measures. Indeed, the idea behind the framework is to provide a "balance" between financial measures and other measures that are important for understanding organizational activities that lead to sustained, long-term performance. The balanced scorecard recommends that managers gain an overview of the organization's performance by tracking a small number of key measures that collectively reflect four dimensions: financial, customer, internal business process, and learning and growth.

Moderate

78. Explain the concept of learning and growth measures. Give an example.
Students' example may differ.
Learning and growth measures of performance relate to the future. Such measures provide insight to tell the organization, "Can we continue to improve and create value?" Learning and growth measures focus on innovation and proceed with an understanding that strategies change over time. Consequently, developing new ways to add value will be needed as the organization continues to adapt to an evolving environment. An example of a learning and growth measure is the number of new skills learned by employees every year.

Moderate

79. What risks does an organization entail by employing a celebrity CEO?
Employing a celebrity CEO entails risks for an organization. Increased attention to the firm via the celebrity CEO means any gaps between actual and expected firm performance are magnified. Further, if a celebrity CEO acts in an unethical or illegal manner, chances are that the CEO's firm will receive much more media attention than will other firms with similar problems.

Moderate

80. What are the benefits and risks associated with celebrity for the CEO?
There are also personal benefits and risks associated with celebrity for the CEO. Celebrity CEOs tend to receive higher compensation and job perks than their colleagues. Celebrity CEOs are likely to enjoy increased prestige power, which facilitates invitations to serve on the boards of directors of other firms and creates opportunities to network with other 'managerial elites.' Celebrity also can provide CEOs with a 'benefit of the doubt' effect that protects against quick sanctions for downturns in firm performance and stock price. However, celebrity also creates potential costs for individuals. Celebrity CEOs face larger and more lasting reputation erosion if their job performance and behavior is inconsistent

with their celebrity image. Not only do celebrity CEOs face increased personal media scrutiny, their friends and family must often endure increased attention into their personal and public lives as well.

Moderate

81. Explain entrepreneurial orientation.

Entrepreneurial orientation (EO) is a key concept when executives are crafting strategies in the hopes of doing something new and exploiting opportunities that other organizations cannot exploit. EO refers to the processes, practices, and decision-making styles of organizations that act entrepreneurially. Any organization's level of EO can be understood by examining how it stacks up relative to five dimensions: autonomy, competitive aggressiveness, innovativeness, proactiveness, and risk taking. These dimensions are also relevant to individuals.

Moderate

82. What does autonomy in an organization mean and what are its advantages?

Autonomy refers to whether an individual or team of individuals within an organization has the freedom to develop an entrepreneurial idea and then see it through to completion. In an organization that offers high autonomy, people are offered the independence required to bring a new idea to fruition, unfettered by the shackles of corporate bureaucracy. When individuals and teams are unhindered by organizational traditions and norms, they are able to more effectively investigate and champion new ideas.

Moderate

83. How can excess of competitive aggressiveness undermine an organization's success?

Too much aggressiveness can undermine an organization's success. A small firm that attacks larger rivals, for example, may find itself on the losing end of a price war. Establishing a reputation for competitive aggressiveness can damage a firm's chances of being invited to join collaborative efforts such as joint-ventures and alliances. In some industries, such as the biotech industry, collaboration is vital because no single firm has the knowledge and resources needed to develop and deliver new products. Executives thus must be wary of taking competitive actions that destroy opportunities for future collaborating.

Moderate

84. Explain the concept of innovativeness.

Innovativeness is the tendency to pursue creativity and experimentation. Some innovations build on existing skills to create incremental improvements, while more radical innovations require brand new skills and may make existing skills obsolete. Either way, innovativeness is aimed at developing new products, services, and processes. Those organizations that are successful in their innovation efforts tend to enjoy stronger performance than those that do not.

Moderate

85. What steps can be taken by executives to develop a strong entrepreneurial orientation in the organization?

Steps can be taken by executives to develop a stronger entrepreneurial orientation throughout an organization and to encourage individuals to become more entrepreneurial themselves. For executives, it is important to design organizational systems and policies to reflect the five dimensions of EO. As an example, how an organization's compensation systems encourage or discourage these dimensions should be considered. Is taking sensible risks rewarded through raises and bonuses regardless of whether the risks pay off, for example, or does the compensation system penalize risk-taking? Other organizational characteristics such as corporate debt level may influence EO. Do corporate debt levels help or impede innovativeness? Is debt structured in such a way as

to encourage risk taking? These are key questions for executives to consider. Examination of some performance measures can assist executives in assessing EO within their organizations. To understand how the organization develops and reinforces autonomy, for example, top executives can administer employee satisfaction surveys and monitor employee turnover rates. Organizations that effectively develop autonomy should foster a work environment with high levels of employee satisfaction and low levels of turnover. Innovativeness can be gauged by considering how many new products or services have the organization developed in the last year and how many patents the firm has obtained.

Moderate