

Strategic Management, 15e, Global Edition (David/David)
Chapter 6 The Internal Audit

1) Opportunities are a firm's distinctive competencies that cannot be easily matched or imitated by competitors.

Answer: FALSE

Diff: 1

Objective: 6.11 Explain cost/benefit analysis, value chain analysis, and benchmarking as strategic-management tools.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

2) The process of performing an internal audit, compared to the external audit, provides more opportunity for participants to understand how their jobs, departments and divisions fit into the whole organization.

Answer: TRUE

Diff: 2

Objective: 6.03 Describe how to perform an internal strategic-management audit.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

3) A task force of managers from different units of the organization, supported by staff, should be charged with determining the 20 most important strengths and weaknesses that should influence the future of the organization.

Answer: TRUE

Diff: 2

Objective: 6.03 Describe how to perform an internal strategic-management audit.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

4) Proponents of the resource-based view argue that external factors are more important than internal factors for a firm in achieving and sustaining competitive advantage.

Answer: FALSE

Diff: 3

Objective: 6.04 Discuss the resource-based view (RBV) in strategic management.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

5) The basic premise of the research-based view is that the mix, type, amount, and nature of a firm's internal resources should be considered first and foremost in devising strategies that can lead to sustainable competitive advantage.

Answer: TRUE

Diff: 2

Objective: 6.04 Discuss the resource-based view (RBV) in strategic management.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

6) The subtle, elusive and largely unconscious forces that shape the workplace are captured by the organizational culture.

Answer: TRUE

Diff: 2

AACSB: Interpersonal relations and teamwork

Objective: 6.05 Discuss key interrelationships among the functional areas of business.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

7) Cultural products include values, beliefs, stories, and language.

Answer: TRUE

Diff: 1

AACSB: Interpersonal relations and teamwork

Objective: 6.05 Discuss key interrelationships among the functional areas of business.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

8) Metaphors are handed-down narratives of some wonderful event that are based on history but have been embellished with fictional detail.

Answer: FALSE

Diff: 2

AACSB: Interpersonal relations and teamwork

Objective: 6.05 Discuss key interrelationships among the functional areas of business.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

9) A ritual is a standardized set of behaviors used to manage anxieties.

Answer: TRUE

Diff: 1

AACSB: Interpersonal relations and teamwork

Objective: 6.05 Discuss key interrelationships among the functional areas of business.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

10) For a resource to be valuable, it must be either rare, hard to imitate, or not easily sustainable.

Answer: TRUE

Diff: 2

Objective: 6.04 Discuss the resource-based view (RBV) in strategic management.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

11) Linkages between a firm's culture and strategies often determine success.

Answer: TRUE

Diff: 1

Objective: 6.05 Discuss key interrelationships among the functional areas of business.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

12) Resources that are common are never considered valuable.

Answer: FALSE

Diff: 2

Objective: 6.04 Discuss the resource-based view (RBV) in strategic management.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

13) The RBV theory asserts that it is advantageous for a firm to pursue a strategy that is not currently being implemented by any competing firm.

Answer: TRUE

Diff: 2

Objective: 6.04 Discuss the resource-based view (RBV) in strategic management.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

14) An organization's culture compares to an individual's personality in the sense that no two organizations have the same culture and no two individuals have the same personality.

Answer: TRUE

Diff: 1

Objective: 6.05 Discuss key interrelationships among the functional areas of business.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

15) At Google the culture is very rigid, while in contrast the culture at Proctor & Gamble is very informal.

Answer: FALSE

Diff: 1

AACSB: Interpersonal relations and teamwork

Objective: 6.05 Discuss key interrelationships among the functional areas of business.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

16) Established companies are coming to realize that their next generation of potential customers spends more time online than watching TV.

Answer: TRUE

Diff: 2

AACSB: Information technology

Objective: 6.05 Discuss key interrelationships among the functional areas of business.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

17) While interesting, organizational culture does not significantly affect business decisions.

Answer: FALSE

Diff: 2

AACSB: Interpersonal relations and teamwork

Objective: 6.05 Discuss key interrelationships among the functional areas of business.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

18) Allocating resources is one of the five basic activities (functions) performed by managers.

Answer: FALSE

Diff: 2

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

19) The only certain thing about the future of any organization is change.

Answer: TRUE

Diff: 2

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

20) Organizing is the cornerstone of effective strategy formulation.

Answer: FALSE

Diff: 1

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

21) Planning should be performed mostly by middle management and then presented to top management for analysis and approval.

Answer: FALSE

Diff: 2

AACSB: Interpersonal relations and teamwork

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

22) The controlling function of management is especially important for effective strategy evaluation.

Answer: TRUE

Diff: 2

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

23) The purpose of organizing is to achieve coordinated effort by defining task and authority relationships.

Answer: TRUE

Diff: 2

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

24) Motivation is one explanation why some people work hard and others do not.

Answer: TRUE

Diff: 1

AACSB: Interpersonal relations and teamwork

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

25) The management function of organizing is included in human resource management.

Answer: FALSE

Diff: 2

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

26) The controlling function of management is synonymous with strategy formulation.

Answer: FALSE

Diff: 2

AACSB: Reflective thinking

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

27) There are seven basic functions of marketing: customer analysis, selling products and services, product and service planning, pricing, distribution, marketing research, and opportunity analysis.

Answer: TRUE

Diff: 2

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

28) A form of customer analysis is administering customer surveys.

Answer: TRUE

Diff: 2

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

29) Successful strategy formulation generally rests upon the ability of an organization to sell some product or service.

Answer: FALSE

Diff: 2

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

30) A new trend with regard to advertising products or services on the Internet is to base advertising rates solely on sales rates.

Answer: TRUE

Diff: 2

AACSB: Information technology

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

31) During the 2012 Super Bowl, a 30-second advertisement cost about \$3 million.

Answer: TRUE

Diff: 1

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

32) Chief marketing officers now spend more than 50 percent of their budget on technology to manage activities like online marketing and social media.

Answer: TRUE

Diff: 2

AACSB: Information technology

Objective: 6.01 Explain how the nature and role of chief marketing officer has changed.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

33) One aspect of ads in a recession is that they generally take more direct aim at competitors.

Answer: TRUE

Diff: 2

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

34) Test marketing is used more frequently by industrial companies than consumer goods companies.

Answer: FALSE

Diff: 2

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

35) Five major stakeholders that affect pricing decisions are consumers, governments, suppliers, distributors, and competitors.

Answer: TRUE

Diff: 2

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

36) Most producers today sell their goods directly to consumers.

Answer: FALSE

Diff: 2

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

37) Distribution becomes especially important when a firm is striving to implement a product development or backward integration strategy.

Answer: FALSE

Diff: 2

AACSB: Reflective thinking

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

38) Marketing research is the systematic gathering, recording and analyzing, of data about problems relating to the marketing of goods and services.

Answer: TRUE

Diff: 1

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

39) A cost/benefit analysis is an appraisal of the costs, benefits, and risks associated with marketing decisions.

Answer: TRUE

Diff: 2

Objective: 6.11 Explain cost/benefit analysis, value chain analysis, and benchmarking as strategic-management tools.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

40) According to James Van Horne the basic decision areas of finance are: the investment decision, the financing decision, and the dividend decision.

Answer: TRUE

Diff: 2

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

41) Financial ratios are not applicable to nonprofit organizations.

Answer: FALSE

Diff: 2

Objective: 6.08 Explain the importance of financial ratio analysis.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

42) Dividend decisions concern issues such as the percentage of earnings paid to stockholders, the stability of dividends paid over time, and the repurchase or issuance of stock.

Answer: TRUE

Diff: 3

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

43) The idea that paying dividends results in a higher stock price is a myth.

Answer: TRUE

Diff: 2

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

44) For calendar 2013, companies in the S&P 500 are expected to pay at least \$300 billion in dividends.

Answer: TRUE

Diff: 2

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

45) Activity ratios measure how effectively a firm is using its resources.

Answer: TRUE

Diff: 2

Objective: 6.08 Explain the importance of financial ratio analysis.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

46) Leverage ratios measure a firm's ability to meet maturing short-term obligations.

Answer: FALSE

Diff: 3

Objective: 6.08 Explain the importance of financial ratio analysis.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

47) The total assets turnover ratio is calculated by dividing sales by fixed assets.

Answer: FALSE

Diff: 2

Objective: 6.08 Explain the importance of financial ratio analysis.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

48) Financial ratio analysis really should not go beyond the actual calculation and interpretation of ratios.

Answer: FALSE

Diff: 2

Objective: 6.08 Explain the importance of financial ratio analysis.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

49) A limitation of financial ratios is the fact that they are based on accounting data.

Answer: TRUE

Diff: 3

Objective: 6.08 Explain the importance of financial ratio analysis.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

50) Capacity decisions concern distances from raw materials to production sites to customers.

Answer: FALSE

Diff: 1

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

51) In most industries, only minor costs of producing a product or service are incurred within operations, so production and operations does not have great value as a competitive weapon in a company's overall strategy.

Answer: FALSE

Diff: 2

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

52) The quantity or number of units of product that a firm must sell to break even is total fixed costs divided by (price per unit + variable costs per unit).

Answer: FALSE

Diff: 2

Objective: 6.02 Be able to work out breakeven analysis problems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

53) Increased efficiency, quality, productivity, and job satisfaction can come from cross-training workers.

Answer: TRUE

Diff: 2

AACSB: Interpersonal relations and teamwork

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

54) Four common approaches to determine R&D budget allocations are: 1) finance as many project proposals as possible; 2) use a percentage-of-sales method; 3) budget for R&D about what competitors spend; or 4) decide how many successful new products are needed and work backwards to estimate the required R&D investment.

Answer: TRUE

Diff: 3

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

55) Internal R&D and contract R&D are the two basic forms of R&D in organizations.

Answer: TRUE

Diff: 1

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

56) The heart of an information system is a database containing the kinds of records and data important to managers.

Answer: TRUE

Diff: 2

AACSB: Information technology

Objective: 6.09 Discuss the nature and role of management information systems in strategic management.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

57) Value chain analysis can enable a firm to better identify its own strengths and weaknesses especially as compared to competitors' value chain analyses and their own data over time.

Answer: TRUE

Diff: 2

Objective: 6.11 Explain cost/benefit analysis, value chain analysis, and benchmarking as strategic-management tools.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

58) Although a useful step in the strategic management process, value chain analysis does little to help a firm monitor whether its prices and costs are competitive.

Answer: FALSE

Diff: 3

Objective: 6.11 Explain cost/benefit analysis, value chain analysis, and benchmarking as strategic-management tools.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

59) Benchmarking is an analytical tool used to determine whether a firm's value chain activities are competitive compared to rivals.

Answer: TRUE

Diff: 2

Objective: 6.11 Explain cost/benefit analysis, value chain analysis, and benchmarking as strategic-management tools.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

60) Constructing an Internal Factor Evaluation Matrix is a summary step when conducting an internal strategic-management audit.

Answer: TRUE

Diff: 1

Objective: 6.10 Develop an internal factor evaluation (IFE) matrix.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

61) The Internal Factor Evaluation Matrix should use a total of 20 internal factors.

Answer: TRUE

Diff: 1

Objective: 6.10 Develop an internal factor evaluation (IFE) matrix.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

62) A firm's strengths that cannot be easily matched or imitated by competitors are called

- A) internal audits.
- B) distinctive competencies.
- C) external audits.
- D) interrelated properties.
- E) internal properties.

Answer: B

Diff: 1

Objective: 6.03 Describe how to perform an internal strategic-management audit.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

63) Who should perform an internal audit?

- A) A private auditing firm
- B) The organization's accounting department
- C) Representative managers and employees from throughout the firm
- D) A small team of top-level managers
- E) The chief executive officer

Answer: C

Diff: 1

Objective: 6.03 Describe how to perform an internal strategic-management audit.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

64) _____ exemplifies the complexity of relationships among the functional areas of business.

- A) Government auditing
- B) External auditing
- C) Financial ratio analysis
- D) Environmental scanning
- E) Distribution strategy

Answer: C

Diff: 1

Objective: 6.03 Describe how to perform an internal strategic-management audit.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

65) The three all-encompassing internal resource categories used in the resource-based view are physical resources, human resources, and

- A) financial resources.
- B) shareholder resources.
- C) organizational resources.
- D) non-renewable resources.
- E) technological resources.

Answer: C

Diff: 2

Objective: 6.04 Discuss the resource-based view (RBV) in strategic management.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

66) Organizational resources include all of the following EXCEPT

- A) employee training.
- B) firm structure.
- C) planning processes.
- D) information systems.
- E) copyrights.

Answer: A

Diff: 2

Objective: 6.04 Discuss the resource-based view (RBV) in strategic management.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

67) Empirical indicators of resources are: being rare, hard to imitate, or

- A) expensive.
- B) inexpensive.
- C) easily substitutable.
- D) not easily substitutable.
- E) inefficient.

Answer: D

Diff: 2

Objective: 6.04 Discuss the resource-based view (RBV) in strategic management.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

68) A pattern of behavior developed by an organization as it learns to cope with its problems of external adaptation and internal integration, and that has worked well enough to be considered valid and to be taught to new members as the correct way to perceive, think, and feel is called

- A) dysfunctional behavior.
- B) groupthink.
- C) behavior modification.
- D) organizational culture.
- E) internal audit effect.

Answer: D

Diff: 3

AACSB: Interpersonal relations and teamwork

Objective: 6.05 Discuss key interrelationships among the functional areas of business.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

69) Which of the following are NOT mentioned as an example of cultural products?

- A) Rites
- B) Emotions
- C) Rituals
- D) Sagas
- E) Symbols

Answer: B

Diff: 1

AACSB: Interpersonal relations and teamwork

Objective: 6.05 Discuss key interrelationships among the functional areas of business.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

70) A standardized set of behaviors used to manage anxieties is called a

- A) folktale.
- B) rite.
- C) metaphor.
- D) ritual.
- E) value.

Answer: D

Diff: 1

AACSB: Interpersonal relations and teamwork

Objective: 6.05 Discuss key interrelationships among the functional areas of business.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

71) What is the term for a historical narrative describing the unique accomplishments of a group and its leaders?

- A) Rite
- B) Saga
- C) Story
- D) Myth
- E) Folktale

Answer: B

Diff: 1

AACSB: Interpersonal relations and teamwork

Objective: 6.05 Discuss key interrelationships among the functional areas of business.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

72) Life-directing attitudes that serve as behavioral guidelines are called

- A) values.
- B) rites.
- C) beliefs.
- D) metaphors.
- E) legends.

Answer: A

Diff: 1

AACSB: Interpersonal relations and teamwork

Objective: 6.05 Discuss key interrelationships among the functional areas of business.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

73) Any object, act, event, quality, or relation used to convey meaning is known as a

- A) myth.
- B) rite.
- C) value.
- D) symbol.
- E) metaphor.

Answer: D

Diff: 2

AACSB: Interpersonal relations and teamwork

Objective: 6.05 Discuss key interrelationships among the functional areas of business.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

74) Metaphors are

- A) several rites connected together.
- B) shorthand of words used to capture a vision or to reinforce old or new values.
- C) narratives based on true events.
- D) fictional stories.
- E) any objects, acts, events, qualities, or relations used to convey meaning.

Answer: B

Diff: 2

AACSB: Interpersonal relations and teamwork

Objective: 6.05 Discuss key interrelationships among the functional areas of business.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

75) What is the essential bridge between the present and the future that increases the likelihood of achieving desired results?

- A) Motivating
- B) Planning
- C) Controlling
- D) Staffing
- E) Organizing

Answer: B

Diff: 2

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

76) All of the following are basic duties of management EXCEPT

- A) staffing.
- B) planning.
- C) consolidating.
- D) organizing.
- E) motivating.

Answer: C

Diff: 3

AACSB: Reflective thinking

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

77) Which of the following does the text call an up-front investment in success?

- A) Planning
- B) Organizing
- C) Motivating
- D) Staffing
- E) Controlling

Answer: A

Diff: 1

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

78) Which function of management includes areas such as job design, job specifications, job analysis, and unity of command?

- A) Planning
- B) Organizing
- C) Motivating
- D) Staffing
- E) Controlling

Answer: B

Diff: 2

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

79) Who does a planning horizon of two to five years apply to?

- A) Top-level management
- B) General management
- C) Middle-level management
- D) Lower-level management
- E) All levels of management

Answer: A

Diff: 2

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

80) Synergy

- A) is the $2 + 2 = 5$ effect.
- B) can result in powerful competitive advantages.
- C) can be developed by an organization through planning.
- D) exists when everyone pulls together as a team that knows what it wants to achieve.
- E) all of the above

Answer: E

Diff: 1

AACSB: Interpersonal relations and teamwork

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

81) Which management function includes breaking tasks into jobs, combining jobs to form departments, and delegating authority?

- A) Motivating
- B) Staffing
- C) Organizing
- D) Controlling
- E) Planning

Answer: C

Diff: 3

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

82) Which function of management is concerned with span of control and chain of command?

- A) Planning
- B) Organizing
- C) Controlling
- D) Staffing
- E) Motivating

Answer: B

Diff: 1

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

83) Which of the following is the process of influencing people to accomplish specific objectives?

- A) Staffing
- B) Motivating
- C) Planning
- D) Controlling
- E) Organizing

Answer: B

Diff: 2

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

84) _____, perhaps the most important word in management, is a major component in motivation.

- A) Forecasting
- B) Organizational structure
- C) Recruiting
- D) Management development
- E) Communication

Answer: E

Diff: 2

AACSB: Written and oral communication

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

85) Staffing involves all of these activities EXCEPT

- A) recruiting.
- B) transferring.
- C) analyzing customers.
- D) managing union relations.
- E) training and developing.

Answer: C

Diff: 2

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

86) Which function of management includes all of those activities undertaken to ensure actual operations conform to planned operations?

- A) Planning
- B) Organizing
- C) Motivating
- D) Staffing
- E) Controlling

Answer: E

Diff: 2

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

87) The first step in the controlling function of management is to

- A) take corrective actions.
- B) restrict the number of breaks employees take.
- C) evaluate expense reports.
- D) establish performance standards.
- E) measure individual and organizational performance.

Answer: D

Diff: 2

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

88) All of the following are key questions that can reveal internal strengths and weaknesses in the management department EXCEPT

- A) Is the organization's structure appropriate?
- B) Are reward and control mechanisms effective?
- C) Are the organization's products positioned well against competing products?
- D) Does the firm use strategic-management concepts?
- E) Do managers delegate authority well?

Answer: C

Diff: 2

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

89) Opportunity analysis is one of the basic functions of

- A) marketing.
- B) finance/accounting.
- C) computer information systems.
- D) production/operations.
- E) research and development.

Answer: A

Diff: 2

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

90) _____ can reveal the demographic characteristics of an organization's customers.

- A) Customer profiling
- B) Test marketing
- C) Market development
- D) The vision statement
- E) Telemarketing

Answer: A

Diff: 2

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

91) All of the following are basic functions of marketing EXCEPT

- A) value chain analysis.
- B) customer analysis.
- C) product and service planning.
- D) pricing.
- E) distribution.

Answer: A

Diff: 1

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

92) Selling includes all of these marketing activities EXCEPT

- A) advertising.
- B) dealer relations.
- C) customer analysis.
- D) publicity.
- E) sales promotion.

Answer: C

Diff: 2

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

93) One aspect of ads recently is that they

- A) take more direct aim at competitors.
- B) do not mention competitors.
- C) allude to competitors in a positive light.
- D) are less combative.
- E) none of the above

Answer: A

Diff: 2

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

94) What marketing function includes test marketing?

- A) Selling products and services
- B) Pricing
- C) Customer analysis
- D) Product and service planning
- E) Distribution

Answer: D

Diff: 3

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

95) The Robinson-Patman Act affects a company's

- A) pricing.
- B) product/service planning.
- C) customer analysis.
- D) marketing research.
- E) distribution.

Answer: A

Diff: 3

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

96) Distribution includes

- A) customer analysis.
- B) pricing.
- C) warehousing.
- D) advertising.
- E) test marketing.

Answer: C

Diff: 1

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

97) Which of the following is NOT a key question that can reveal internal strengths and weaknesses of the marketing department?

- A) Does the firm have an effective sales organization?
- B) Is our product quality good?
- C) Are markets segmented effectively?
- D) Are the firm's products and services priced appropriately?
- E) Does the firm have good liquidity?

Answer: E

Diff: 2

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

98) The _____ decision is the allocation and reallocation of capital and resources to projects, products, assets, and divisions of an organization.

- A) investment
- B) dividend
- C) financing
- D) restructuring
- E) benchmark

Answer: A

Diff: 3

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

99) Which of the three finance and accounting decisions concerns determining the best capital structure for the firm and includes examining various methods by which the firm can raise capital?

- A) Investment
- B) Dividend
- C) Financing
- D) Capital budgeting
- E) Implementation

Answer: C

Diff: 2

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

100) What category of ratios measures a firm's ability to meet maturing short-term obligations?

- A) Profitability
- B) Liquidity
- C) Leverage
- D) Activity
- E) Growth

Answer: B

Diff: 2

Objective: 6.08 Explain the importance of financial ratio analysis.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

101) What category of ratios includes return on total assets and return on stockholders' equity?

- A) Leverage
- B) Activity
- C) Profitability
- D) Growth
- E) Liquidity

Answer: C

Diff: 2

Objective: 6.08 Explain the importance of financial ratio analysis.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

102) What category of ratios measures how effectively a firm can maintain its economic position in the growth of the economy and industry?

- A) Profitability
- B) Liquidity
- C) Leverage
- D) Activity
- E) Growth

Answer: E

Diff: 2

Objective: 6.08 Explain the importance of financial ratio analysis.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

103) Which ratio would be considered an activity ratio?

- A) Debt-to-equity
- B) Net profit margin
- C) Average collection period
- D) Earnings per share
- E) Current ratio

Answer: C

Diff: 2

Objective: 6.08 Explain the importance of financial ratio analysis.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

104) Which ratio is calculated by dividing profits before interest and taxes by total interest charges?

- A) Inventory turnover
- B) Fixed assets turnover
- C) Total assets turnover
- D) Debt-to-equity ratio
- E) Times-interest-earned ratio

Answer: E

Diff: 3

Objective: 6.08 Explain the importance of financial ratio analysis.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

105) The times-interest-earned ratio would be classified as a(n)

- A) activity ratio.
- B) leverage ratio.
- C) profitability ratio.
- D) liquidity ratio.
- E) growth ratio.

Answer: B

Diff: 1

Objective: 6.08 Explain the importance of financial ratio analysis.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

106) According to Roger Schroeder, which basic function within production and operations deals with aggregate planning and scheduling?

- A) Capacity
- B) Inventory
- C) Workforce
- D) Process
- E) Quality

Answer: A

Diff: 2

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

107) _____ management deals with inputs, transformations, and outputs that vary across industries and markets.

- A) Marketing
- B) Financial
- C) Research and development
- D) Production and operations
- E) Information systems

Answer: D

Diff: 2

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

108) In most industries, the major costs of producing a product or service are incurred within

- A) marketing.
- B) management.
- C) research and development.
- D) operations.
- E) management information systems.

Answer: D

Diff: 2

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

109) If total fixed costs are \$10,000, variable costs per unit are \$5, and the price per unit is \$15, what is the breakeven quantity?

- A) 500
- B) 667
- C) 1,000
- D) 2,000
- E) 5,000

Answer: C

Diff: 3

AACSB: Application of knowledge

Objective: 6.02 Be able to work out breakeven analysis problems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

110) _____ is a commonly used approach to determine R&D budget allocations.

- A) Financing as many project proposals as possible
- B) Using a percentage-of-sales method
- C) Budgeting for R&D about what competitors spend
- D) Deciding how many successful new products are needed
- E) All of the above

Answer: E

Diff: 2

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

111) _____ ties all business functions together and provides the basis for all managerial decisions.

- A) Management
- B) Marketing
- C) Information
- D) Technology
- E) Workforce

Answer: C

Diff: 2

AACSB: Information technology

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

112) An effective information management system _____ information in such a way that it answers important operating and strategic questions.

- A) collects
- B) codes
- C) stores
- D) synthesizes
- E) all of the above

Answer: E

Diff: 1

AACSB: Information technology

Objective: 6.09 Discuss the nature and role of management information systems in strategic management.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

113) _____ become(s) _____ only when evaluated, filtered, condensed, analyzed, and organized for a specific purpose, problem, individual, or time.

- A) Information; data
- B) Information; material
- C) Data; information
- D) Data; competitive advantages
- E) Competitive advantages; material

Answer: C

Diff: 2

AACSB: Information technology

Objective: 6.09 Discuss the nature and role of management information systems in strategic management.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

114) The process whereby a firm determines the costs associated with organizational activities from purchasing raw materials to manufacturing products to marketing those products is called

- A) the resource-based approach.
- B) value chain analysis.
- C) strategic cost analysis.
- D) the internal factor evaluation matrix.
- E) cost-benefit analysis.

Answer: B

Diff: 2

Objective: 6.11 Explain cost/benefit analysis, value chain analysis, and benchmarking as strategic-management tools.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

115) The initial step to implementing value chain analysis is

- A) attaching a cost to each discrete activity.
- B) establishing costs in terms of time.
- C) establishing costs in terms of money.
- D) converting the cost data into information by looking for competitive cost strengths and weaknesses.
- E) dividing a firm's operations into specific activities or business processes.

Answer: E

Diff: 1

Objective: 6.11 Explain cost/benefit analysis, value chain analysis, and benchmarking as strategic-management tools.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

116) Which of the following is the first step in developing an IFE Matrix?

- A) Determining the organization's structure
- B) Summing the weighted scores for each variable
- C) Listing key internal strengths and weaknesses
- D) Identifying the organization's functions of business
- E) Assigning a weight to each factor

Answer: C

Diff: 2

Objective: 6.10 Develop an internal factor evaluation (IFE) matrix.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

117) The IFE Matrix should be _____ in multidivisional firms.

- A) constructed for each division
- B) all-inclusive
- C) constructed only for the major divisions
- D) developed before the EFE Matrix
- E) revised monthly

Answer: A

Diff: 2

Objective: 6.10 Develop an internal factor evaluation (IFE) matrix.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

118) Explain the resource-based view and its relation to strategic management.

Answer: The resource-based view (RBV) approach to competitive advantage contends that internal resources are more important than external factors for a firm in achieving and sustaining competitive advantage, in contrast to the I/O theory. According to the RBV, organizational performance is determined by physical resources, human resources, and organizational resources. RBV theory asserts that resources are actually what help a firm exploit opportunities and neutralize threats. The theory also asserts that in order to maintain a competitive advantage, a resource must either be rare, not easily substitutable, or hard to imitate. The RBV has continued to grow in popularity and continues to seek a better understanding of the relationship between resources and sustained competitive advantage.

Diff: 2

Objective: 6.04 Discuss the resource-based view (RBV) in strategic management.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

119) Define cultural products, and give six examples of them.

Answer: Cultural products are levers that strategists can use to influence and direct strategy formulation, implementation, and evaluation activities. Students can list any six of the following examples: rites, ceremonial, ritual, myth, saga, legend, story, folktale, symbol, language, metaphors, values, belief, and heroes/heroines. These products are explained further in Table 4-1.

Diff: 2

AACSB: Interpersonal relations and teamwork

Objective: 6.05 Discuss key interrelationships among the functional areas of business.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

120) Identify the five basic functions of management, and describe each function.

Answer: The five basic functions of management are planning, organizing, motivating, staffing, and controlling. Please refer to Table 4-3 in the text for the description of each function.

Diff: 2

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

121) What four basic steps comprise the controlling function of management?

Answer: The controlling function of management includes all of those activities undertaken to ensure that actual operations conform to planned operations, and is particularly important for effective strategy evaluation. Controlling consists of four basic steps: 1) establishing performance standards; 2) measuring individual and organizational performance; 3) comparing actual performance to planned performance standards; and 4) taking corrective actions.

Diff: 2

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

122) There are seven basic functions of marketing. List and define these functions.

Answer: The seven basic functions of marketing are 1) customer analysis: the examination and evaluation of consumer needs, desires, and wants; 2) selling products and services: selling includes many marketing activities, such as advertising, sales promotion, publicity, personal selling, sales force management, customer relations, and dealer relations; 3) product and service planning: includes activities such as test marketing, product and brand positioning, devising warranties, packaging, determining product options, features, style and quality, deleting old products, and providing for customer service; 4) pricing: affected by five major stakeholders - consumers, governments, suppliers, distributors, and competitors; 5) distribution: includes warehousing, distribution channels, distribution coverage, retail site locations, sales territories, inventory levels and location, transportation carriers, wholesaling, and retailing; 6) marketing research: the systematic gathering, recording, and analyzing of data about problems relating to the marketing of goods and services; and 7) opportunity analysis: assessing the costs, benefits, and risks associated with marketing decisions.

Diff: 3

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

123) According to James Van Horne, what are the three decisions that comprise the functions of finance? Describe each function.

Answer: The three basic functions of finance, according to James Van Horne, are the investment decision, the financing decision, and the dividend decision. The investment decision is the allocation and reallocation of capital and resources to projects, products, assets, and divisions of an organization. The financing decision determines the best capital structure for the firm and includes examining various methods by which the firm can raise capital. Dividend decisions concern issues such as the percentage of earnings paid to stockholders, the stability of dividends paid over time and the repurchase or issuance of stock.

Diff: 2

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

124) Identify the reasons dividends are sometimes paid out even when funds could be better reinvested in the business or when the firm has to tap outside sources to pay the dividends.

Answer: Dividends are sometimes paid out even when funds could be better reinvested in the business or when the firm has to obtain outside sources of capital. The reasons for these situations are as follows. 1) Paying cash dividends is customary. Failure to do so could be thought of as a stigma. A dividend change is considered a signal about the future. 2) Dividends represent a sales point for investment bankers. Some institutional investors can buy only dividend-paying stocks. 3) Shareholders often demand dividends, even in companies with great opportunities for reinvesting all available funds. 4) A myth exists that paying dividends will result in a higher stock price.

Diff: 2

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

125) Discuss what needs to be completed, besides the calculation and interpretation of ratios, to complete an effective financial ratio analysis.

Answer: The analysis should be conducted on three separate fronts:

1. How has each ratio changed over time? This information provides a means of evaluating historical trends. It is important to note whether each ratio has been increasing, decreasing, or nearly constant historically. For example, a 10 percent profit margin could be bad if the trend has been down 20 percent each of the last three years. But a 10 percent profit margin could be excellent if the trend has been up, up, up. Therefore, calculate the percentage change in each ratio from one year to the next to assess historical financial performance on that dimension. Identify and examine large percent changes in a financial ratio from one year to the next.
2. How does each ratio compare to industry norms? A firm's inventory turnover ratio may appear impressive at first glance, but may pale when compared to industry standards or norms. Industries can differ dramatically on certain ratios. For example grocery companies such as Kroger have a high inventory turnover whereas automobile dealerships have a lower turnover. Therefore, comparison of a firm's ratios within its particular industry can be essential in determining strength/weakness.
3. How does each ratio compare with key competitors? Oftentimes competition is more intense between several competitors in a given industry or location than across all rival firms in the industry. When this is true, financial ratio analysis should include comparison to those key competitors. For example, if a firm's profitability ratio is trending up over time and compares favorably to the industry average, but it is trending down relative to its leading competitor, there may be reason for concern.

Diff: 3

Objective: 6.08 Explain the importance of financial ratio analysis.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

126) Discuss the limitations of financial ratio analysis.

Answer: There are some limitations of financial ratio analysis. The first is that financial ratios are based on accounting data, and firms differ in their treatment of such items as depreciation, inventory valuation, R&D expenditures, pension plan costs, mergers, and taxes. Second, seasonal factors can influence comparative ratios. A third limitation is that departures from industry averages do not always indicate a firm is doing especially well or badly.

Diff: 2

Objective: 6.08 Explain the importance of financial ratio analysis.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

127) According to Roger Schroeder, there are five basic functions or decision areas in production. Describe these five functions.

Answer: The five basic functions or decision areas in production are process, capacity, inventory, workforce, and quality. Please refer to Table 4-8 in the text for descriptions of each function or decision area.

Diff: 2

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

128) Four basic approaches exist to determine R&D budget allocations. What are these approaches? Which one would you recommend for a pharmaceutical company? Why?

Answer: The four commonly-used approaches to determining R&D budget allocations are: 1) financing as many project proposals as possible; 2) using a percentage-of-sales method; 3) budgeting about the same amount competitors spend for R&D; and 4) deciding how many successful new products are needed and working backward to estimate the required R&D investment.

Students should recommend the fourth approach for a pharmaceutical company, deciding how many successful new products are needed, and working backward to estimate the required R&D investment. This is due to the fact that most firms have no choice but to continually develop new and improved products because of changing consumer needs and tastes, new technologies, shortened product life cycles, and increased domestic and foreign competition. Students should also mention that different strategies require different R&D capabilities, so no one approach will be appropriate for all companies at all times.

Diff: 3

AACSB: Application of knowledge

Objective: 6.06 Identify the basic functions or activities that make up management, marketing, finance and accounting, production and operations, research and development, and management information systems.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

129) Discuss the five steps involved in performing an IFE Matrix.

Answer: The first step is to list 20 internal factors, including strengths and weaknesses, using percentages, ratios and comparative numbers. The second step is to assign a weight that ranges from 0.00 (not important) to 1.0 (all-important) to each factor based on its relative importance. The third step is to assign a 1 to 4 rating to each factor to indicate whether that factor represents a major weakness, a minor weakness, a major strength, or a minor strength. Next, multiply each factor's weight by its rating to determine a weighted score for each variable. Finally, sum the weighted scores for each variable to determine the total weighted score for the organization.

Diff: 3

Objective: 6.10 Develop an internal factor evaluation (IFE) matrix.

Learning Outcome: Describe tools and models for assessing a firm's internal environment

130) Discuss how technology has affected the role of the chief marketing officer (CMO).

Answer: CMOs now spend more than half their budget on technology to manage activities like online marketing and social media. Marketing is becoming technical with software to track and target customers and manage customer relationships, predict consumer behavior, run online storefronts, analyze social media, manage websites, and craft targeted advertisements. Facebook allows a company to "leverage the loyalty" of its best customers, sending targeted ads to specific users. Effective strategic planning analysis must now included an examination of rival firms' Facebook pages. Another trend is advertising in e-books, matching the ads to the book's content and demographic profile of the reader.

Diff: 3

AACSB: Information technology

Objective: 6.01 Explain how the nature and role of chief marketing officer has changed.

Learning Outcome: Describe tools and models for assessing a firm's internal environment