

Strategic Management, 15e, Global Edition (David/David)
Chapter 11 Strategy Monitoring

1) Most strategists believe that an organization's well-being depends on evaluation of the strategic-management process.

Answer: TRUE

Diff: 1

Objective: 11.02 Explain why strategy evaluation is complex, sensitive, and yet essential for organizational success.

Learning Outcome: Describe how organizational performance is measured

2) Adequate and timely feedback is important to effective strategy evaluation.

Answer: TRUE

Diff: 1

AACSB: Written and oral communication

Objective: 11.02 Explain why strategy evaluation is complex, sensitive, and yet essential for organizational success.

Learning Outcome: Describe how organizational performance is measured

3) Too much emphasis on evaluating strategies may be expensive and counterproductive.

Answer: TRUE

Diff: 2

Objective: 11.02 Explain why strategy evaluation is complex, sensitive, and yet essential for organizational success.

Learning Outcome: Describe how organizational performance is measured

4) Strategy evaluation should have a long-run focus and avoid a short-run focus.

Answer: FALSE

Diff: 2

Objective: 11.02 Explain why strategy evaluation is complex, sensitive, and yet essential for organizational success.

Learning Outcome: Describe how organizational performance is measured

5) According to Richard Rumelt, consonance and consistency are mostly based on a firm's external assessment.

Answer: FALSE

Diff: 2

Objective: 11.02 Explain why strategy evaluation is complex, sensitive, and yet essential for organizational success.

Learning Outcome: Describe how organizational performance is measured

6) According to Rumelt, consistency and feasibility are largely based on a firm's internal assessment.

Answer: TRUE

Diff: 2

Objective: 11.02 Explain why strategy evaluation is complex, sensitive, and yet essential for organizational success.

Learning Outcome: Describe how organizational performance is measured

7) Consistency, distinctiveness, advantage, and feasibility are Richard Rumelt's four criteria for evaluating a strategy.

Answer: FALSE

Diff: 2

Objective: 11.02 Explain why strategy evaluation is complex, sensitive, and yet essential for organizational success.

Learning Outcome: Describe how organizational performance is measured

8) Strategy evaluation is becoming increasingly easier with the passage of time, given technological advances.

Answer: FALSE

Diff: 3

Objective: 11.02 Explain why strategy evaluation is complex, sensitive, and yet essential for organizational success.

Learning Outcome: Describe how organizational performance is measured

9) The decreasing time span for which planning can be done with any degree of certainty is a reason strategy evaluation is more difficult today.

Answer: TRUE

Diff: 2

Objective: 11.02 Explain why strategy evaluation is complex, sensitive, and yet essential for organizational success.

Learning Outcome: Describe how organizational performance is measured

10) Strategies may be inconsistent if policy problems and issues continue to be brought to the top for resolution.

Answer: TRUE

Diff: 1

Objective: 11.02 Explain why strategy evaluation is complex, sensitive, and yet essential for organizational success.

Learning Outcome: Describe how organizational performance is measured

11) Competitive advantages normally are the result of superiority in one of three areas: feasibility, consistency, or consonance.

Answer: FALSE

Diff: 2

Objective: 11.02 Explain why strategy evaluation is complex, sensitive, and yet essential for organizational success.

Learning Outcome: Describe how organizational performance is measured

12) Regardless of the size of the organization, a certain amount of "management by wandering around" at all levels is essential to effective strategy evaluation.

Answer: TRUE

Diff: 2

Objective: 11.02 Explain why strategy evaluation is complex, sensitive, and yet essential for organizational success.

Learning Outcome: Describe how organizational performance is measured

13) Evaluating strategies on a continuous rather than on a periodic basis allows benchmarks of progress to be established and more effectively monitored.

Answer: TRUE

Diff: 1

Objective: 11.02 Explain why strategy evaluation is complex, sensitive, and yet essential for organizational success.

Learning Outcome: Describe how organizational performance is measured

14) It is most effective to conduct strategy evaluation annually, at the end of the fiscal year.

Answer: FALSE

Diff: 2

AACSB: Reflective thinking

Objective: 11.02 Explain why strategy evaluation is complex, sensitive, and yet essential for organizational success.

Learning Outcome: Describe how organizational performance is measured

15) Changes in the organization's management, marketing, finance and accounting, production and operations, research and development (R&D), and management information systems (MIS) strengths and weaknesses should all be the focus of a revised EFE matrix in strategy evaluation.

Answer: FALSE

Diff: 2

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

16) In strategy evaluation, a revised IFE matrix should indicate how effective a firm's strategies have been in response to key opportunities and threats.

Answer: FALSE

Diff: 2

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

17) Strengths, weaknesses, opportunities, cost and threats should continually be monitored for change because it is not really a question of whether these factors will change, but rather when they will change and in what ways.

Answer: TRUE

Diff: 2

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

18) When measuring organizational performance, you need to compare expected results to actual results.

Answer: TRUE

Diff: 1

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

19) Criteria for evaluating strategies should be measurable and easily verifiable.

Answer: TRUE

Diff: 1

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

20) Financial ratios are rarely used as criteria to evaluate strategies.

Answer: FALSE

Diff: 2

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

21) Measuring organizational performance includes comparing expected results to actual results, investigating deviations from plans, evaluating individual performance, and examining progress being made toward meeting stated objectives.

Answer: TRUE

Diff: 2

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

22) Intuitive judgments are almost always involved in deriving quantitative criteria.

Answer: TRUE

Diff: 2

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

23) Most quantitative evaluation criteria are geared to long-term objectives rather than annual objectives.

Answer: FALSE

Diff: 2

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

24) Measuring organizational performance requires making changes to reposition a firm competitively for the future.

Answer: FALSE

Diff: 2

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

25) Taking corrective actions does not necessarily mean that existing strategies will be abandoned, or even that new strategies must be formulated.

Answer: TRUE

Diff: 2

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

26) Corrective action in strategy evaluation is necessary to keep an organization on track toward achieving stated objectives.

Answer: TRUE

Diff: 1

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

27) Alvin Toffler argues that environments are becoming so dynamic and complex that they threaten people and organizations with future shock, in his thought-provoking books entitled Future Shock and The Third Wave.

Answer: TRUE

Diff: 2

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

28) Future shock occurs when the nature, type, and speed of changes overpower an individual's or organization's ability and capacity to adapt.

Answer: TRUE

Diff: 2

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

29) According to research, participation in strategy-evaluation activities is one of the best ways to overcome individuals' resistance to change.

Answer: TRUE

Diff: 2

AACSB: Interpersonal relations and teamwork

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Explain how to manage resistance to change

30) The form of a Balanced Scorecard does not vary for different organizations or industries.

Answer: FALSE

Diff: 1

Objective: 11.05 Describe and develop a Balanced Scorecard.

Learning Outcome: Describe how organizational performance is measured

31) The Balanced Scorecard approach deals with the question, "How satisfied are the firm's customers?"

Answer: TRUE

Diff: 2

Objective: 11.05 Describe and develop a Balanced Scorecard.

Learning Outcome: Describe how organizational performance is measured

32) Each year, Fortune publishes strategy-evaluation research on both the United States and other countries.

Answer: TRUE

Diff: 2

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

33) Yahoo was one of the firms most admired in its industry according to Fortune's 2012 evaluation.

Answer: FALSE

Diff: 2

AACSB: Information technology

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

34) Strategy-evaluation activities must be meaningful, that is, they should specifically relate to a firm's objectives.

Answer: TRUE

Diff: 2

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

35) Timely approximate information is generally more desirable as a basis for strategy evaluation than accurate information that does not depict the present.

Answer: TRUE

Diff: 1

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

36) The test of an effective evaluation system is its complexity.

Answer: FALSE

Diff: 2

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

37) Small organizations require a more elaborate and detailed strategy-evaluation system because they are still evolving.

Answer: FALSE

Diff: 2

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

38) There is no one ideal strategy-evaluation system for all organizations.

Answer: TRUE

Diff: 1

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

39) Contingency plans are alternative plans that can be put into effect if certain key events do not occur as expected.

Answer: TRUE

Diff: 2

Objective: 11.03 Discuss the importance of contingency planning in strategy evaluation.

Learning Outcome: Describe how organizational performance is measured

40) Organizations should prepare contingency plans just for unfavorable events.

Answer: FALSE

Diff: 3

Objective: 11.03 Discuss the importance of contingency planning in strategy evaluation.

Learning Outcome: Describe how organizational performance is measured

41) Strategists should try to cover all bases by planning for all possible contingencies.

Answer: FALSE

Diff: 2

Objective: 11.03 Discuss the importance of contingency planning in strategy evaluation.

Learning Outcome: Describe how organizational performance is measured

42) Contingency plans should be as simple as possible.

Answer: TRUE

Diff: 1

Objective: 11.03 Discuss the importance of contingency planning in strategy evaluation.

Learning Outcome: Describe how organizational performance is measured

43) Alternative strategies not selected for implementation should be discarded, as they have a tendency to contaminate the contingency plans.

Answer: FALSE

Diff: 2

AACSB: Reflective thinking

Objective: 11.03 Discuss the importance of contingency planning in strategy evaluation.

Learning Outcome: Describe how organizational performance is measured

44) Identifying both good and bad events that could jeopardize strategies is the first step of effective contingency planning.

Answer: TRUE

Diff: 2

Objective: 11.03 Discuss the importance of contingency planning in strategy evaluation.

Learning Outcome: Describe how organizational performance is measured

45) A frequently used tool in strategy evaluation is the audit.

Answer: TRUE

Diff: 2

Objective: 11.04 Explain the role of auditing in strategy evaluation.

Learning Outcome: Describe how organizational performance is measured

46) The U.S. Chamber of Commerce is against the accounting switch from GAAP to IFRS, saying it will cause cross-border commerce to decline.

Answer: FALSE

Diff: 1

Objective: 11.04 Explain the role of auditing in strategy evaluation.

Learning Outcome: Describe how organizational performance is measured

47) Public accounting firms usually avoid strategy-evaluation services.

Answer: FALSE

Diff: 2

Objective: 11.04 Explain the role of auditing in strategy evaluation.

Learning Outcome: Describe how organizational performance is measured

48) The accounting switch from GAAP to IFRS in the U.S. is going to cost businesses millions of dollars in fees and upgraded software systems and training.

Answer: TRUE

Diff: 1

AACSB: Information technology

Objective: 11.04 Explain the role of auditing in strategy evaluation.

Learning Outcome: Describe how organizational performance is measured

49) Believing it will make it easier for investors to compare firms across countries and make it easier to raise capital globally, most large accounting firms and multinational firms favor the switch to IFRS.

Answer: TRUE

Diff: 2

Objective: 11.04 Explain the role of auditing in strategy evaluation.

Learning Outcome: Describe how organizational performance is measured

50) The U.S. Chamber of Commerce supports the change from GAAP to IFRS, saying it will help the U.S. compete in the world economy.

Answer: TRUE

Diff: 2

Objective: 11.04 Explain the role of auditing in strategy evaluation.

Learning Outcome: Describe how organizational performance is measured

51) IFRS standards comprise 25,000 pages, whereas GAAP standards comprise 5,000 pages.

Answer: FALSE

Diff: 3

Objective: 11.04 Explain the role of auditing in strategy evaluation.

Learning Outcome: Describe how organizational performance is measured

52) Most executives believe that some strategic information should remain confidential to top managers.

Answer: TRUE

Diff: 1

AACSB: Written and oral communication

Objective: 11.06 Discuss three 21st-century challenges in strategic management.

Learning Outcome: Describe how organizational performance is measured

53) Increased education and diversity of the workforce at all levels are reasons why the top-down approach should be favored in organizations.

Answer: FALSE

Diff: 2

AACSB: Diverse and multicultural work environments

Objective: 11.06 Discuss three 21st-century challenges in strategic management.

Learning Outcome: Describe how organizational performance is measured

54) Which of these is a basic activity of strategy evaluation?

A) Reviewing the underlying bases of current strategies

B) Comparing expected results with actual results

C) Taking corrective actions

D) Choices B and C only

E) All of the above

Answer: E

Diff: 1

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

- 55) Too much emphasis on evaluating strategies
- A) may be expensive and counterproductive.
 - B) is not possible - the more emphasis the better.
 - C) is good for morale, as employees like being closely evaluated.
 - D) is always advised if the firm can afford it.
 - E) is worse than too little or no evaluation.

Answer: A

Diff: 2

AACSB: Reflective thinking

Objective: 11.02 Explain why strategy evaluation is complex, sensitive, and yet essential for organizational success.

Learning Outcome: Describe how organizational performance is measured

- 56) What is the cornerstone of effective strategy evaluation?

- A) Adequate and timely feedback
- B) Quality and quantity of managers
- C) Smaller ratio of top- to lower-level management
- D) Evaluation preceding implementation stage
- E) Punitive corrective actions

Answer: A

Diff: 3

AACSB: Written and oral communication

Objective: 11.02 Explain why strategy evaluation is complex, sensitive, and yet essential for organizational success.

Learning Outcome: Describe how organizational performance is measured

- 57) All of these are Richard Rumelt's criteria to evaluate a strategy EXCEPT

- A) advantage.
- B) consistency.
- C) feasibility.
- D) distinctiveness.
- E) consonance.

Answer: D

Diff: 2

Objective: 11.02 Explain why strategy evaluation is complex, sensitive, and yet essential for organizational success.

Learning Outcome: Describe how organizational performance is measured

58) With the passage of time strategy evaluation is becoming

- A) increasingly difficult.
- B) much simpler.
- C) very convenient.
- D) an unnecessary activity.
- E) less important.

Answer: A

Diff: 2

Objective: 11.02 Explain why strategy evaluation is complex, sensitive, and yet essential for organizational success.

Learning Outcome: Describe how organizational performance is measured

59) All of the following are reasons strategy evaluation is more difficult today EXCEPT

- A) a dramatic increase in the environment's complexity.
- B) the increasing number of variables.
- C) the increase in the number of both domestic and world events affecting organizations.
- D) the increasing time span for which planning can be done with any degree of certainty.
- E) the rapid rate of obsolescence of even the best plans.

Answer: D

Diff: 1

Objective: 11.02 Explain why strategy evaluation is complex, sensitive, and yet essential for organizational success.

Learning Outcome: Describe how organizational performance is measured

60) Which of the following is NOT a reason for the increasing difficulty of evaluating strategies?

- A) Product life cycles are longer.
- B) Domestic and world economies are less stable.
- C) Product development cycles are shorter.
- D) Technological advancement is more rapid.
- E) Change is occurring more frequently.

Answer: A

Diff: 2

Objective: 11.02 Explain why strategy evaluation is complex, sensitive, and yet essential for organizational success.

Learning Outcome: Describe how organizational performance is measured

61) Success today

- A) guarantees success tomorrow.
- B) is no guarantee of success tomorrow.
- C) should lull a firm into complacency.
- D) is all that really matters.
- E) none of the above.

Answer: B

Diff: 2

Objective: 11.02 Explain why strategy evaluation is complex, sensitive, and yet essential for organizational success.

Learning Outcome: Describe how organizational performance is measured

62) According to Rumelt, the final broad test of strategy is its

- A) advantage.
- B) feasibility.
- C) consonance.
- D) consistency.
- E) distinctiveness.

Answer: B

Diff: 2

Objective: 11.02 Explain why strategy evaluation is complex, sensitive, and yet essential for organizational success.

Learning Outcome: Describe how organizational performance is measured

63) Competitive advantage normally is the result of superiority in resources, skills, or

- A) employees.
- B) position.
- C) consistency.
- D) feasibility.
- E) governance.

Answer: B

Diff: 1

Objective: 11.02 Explain why strategy evaluation is complex, sensitive, and yet essential for organizational success.

Learning Outcome: Discuss strategies that companies use to acquire and maintain competitive advantages

64) What term refers to the need for strategists to examine sets of trends, as well as individual trends, in evaluating strategies?

- A) Consistency
- B) Consonance
- C) Synergy
- D) Feasibility
- E) Advantage

Answer: B

Diff: 2

Objective: 11.02 Explain why strategy evaluation is complex, sensitive, and yet essential for organizational success.

Learning Outcome: Describe how organizational performance is measured

65) Rumelt's criteria of consonance refers to the need for strategists to examine

- A) inconsistent goals.
- B) sets of trends.
- C) impractical objectives.
- D) competitive advantages.
- E) the costs associated with particular strategies.

Answer: B

Diff: 2

Objective: 11.02 Explain why strategy evaluation is complex, sensitive, and yet essential for organizational success.

Learning Outcome: Describe how organizational performance is measured

66) If success for one organizational department means failure for another department, then strategies may be

- A) synergistic.
- B) advantageous.
- C) trendy.
- D) feasible.
- E) inconsistent.

Answer: E

Diff: 1

Objective: 11.02 Explain why strategy evaluation is complex, sensitive, and yet essential for organizational success.

Learning Outcome: Describe how organizational performance is measured

67) Modern organizational realities demand that employees demonstrate greater

- A) flexibility.
- B) innovation.
- C) creativity.
- D) initiative.
- E) all of the above

Answer: E

Diff: 2

AACSB: Interpersonal relations and teamwork

Objective: 11.02 Explain why strategy evaluation is complex, sensitive, and yet essential for organizational success.

Learning Outcome: Describe how organizational performance is measured

68) Strategy-evaluation activities should ideally be performed

- A) just on a periodic basis.
- B) only at the onset of a problem.
- C) on a continuous basis.
- D) solely upon completion of major projects.
- E) annually only.

Answer: C

Diff: 1

Objective: 11.02 Explain why strategy evaluation is complex, sensitive, and yet essential for organizational success.

Learning Outcome: Describe how organizational performance is measured

69) Corrective actions are almost always _____ except when external and internal factors have not significantly changed and the firm is progressing satisfactorily toward achieving stated objectives.

- A) unnecessary
- B) needed
- C) undesirable
- D) prohibitively expensive
- E) futile

Answer: B

Diff: 2

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

70) If you discover during the course of strategy evaluation that major changes have occurred in the firm's internal strategic position, you should

- A) continue on the present strategic course.
- B) wait until the next quarter to see if things revert.
- C) take corrective actions.
- D) follow the original strategic plan.
- E) none of the above

Answer: C

Diff: 3

AACSB: Analytical Thinking

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

71) A revised _____ should focus on changes in the organization's management, marketing, finance and accounting, production and operations, research and development (R&D), and management information systems (MIS) strengths and weaknesses.

- A) mission
- B) IFE matrix
- C) vision
- D) EFE matrix
- E) EPM matrix

Answer: B

Diff: 2

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

72) A revised _____ should indicate how effective a firm's strategies have been in response to key opportunities and threats.

- A) IFE matrix
- B) mission
- C) EFE matrix
- D) vision
- E) CPM matrix

Answer: C

Diff: 2

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

73) Which of the following is NOT included in measuring organizational performance?

- A) Comparing results to competitors' expectations
- B) Examining progress being made toward meeting stated objectives
- C) Investigating deviations from plans
- D) Evaluating individual performance
- E) Comparing expected results to actual results

Answer: A

Diff: 2

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

74) Which of the following is a corrective action a company might take to correct unfavorable variances?

- A) Divesting a division
- B) Revising objectives
- C) Raising capital with stock or debt
- D) Allocating resources differently
- E) All of the above

Answer: E

Diff: 2

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

75) Quantitative criteria commonly used to evaluate strategies are

- A) cash budgets.
- B) Balanced Scorecards.
- C) Capital Asset Pricing Models.
- D) financial ratios.
- E) present value analyses.

Answer: D

Diff: 2

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

76) Which of these is a potential problem associated with using only quantitative criteria for selecting strategies?

- A) Most quantitative criteria are geared to long-term objectives rather than annual objectives.
- B) Different accounting methods can provide different results on many quantitative criteria.
- C) Intuitive judgments are never used in deriving quantitative criteria.
- D) Quantitative criteria include human factors that may be underlying causes of declining performance.
- E) Quantitative criteria are not able to compare the firm's performance over different period of time.

Answer: B

Diff: 2

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

77) Also important in evaluating strategies are _____ criteria, like high absenteeism and turnover rates, or low employee satisfaction.

- A) numerical
- B) qualitative
- C) quantitative
- D) accounting
- E) financial

Answer: B

Diff: 2

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

78) Financial ratios are used to compare a firm's performance over different time periods, to compare the firm's performance to industry averages, and to compare a firm's performance with

- A) overall business standards.
- B) projected goals.
- C) the performance of suppliers.
- D) non-financial ratios.
- E) the performance of competitors.

Answer: E

Diff: 3

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

79) Most quantitative criteria are geared to _____ objectives rather than _____ objectives.

- A) top-management; employee
- B) short-term; annual
- C) annual; long-term
- D) environmental; community
- E) long-term; short-term

Answer: C

Diff: 2

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

80) What corrective actions might a firm take during strategy evaluation?

- A) Revise the business mission
- B) Issue stock
- C) Revise objectives
- D) Sell a division
- E) All of the above

Answer: E

Diff: 2

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

81) According to author Alvin Toffler, what occurs when the nature, types, and speed of changes overpower an individual's or organization's ability and capacity to adapt?

- A) Corporate insecurity
- B) Corrective actions
- C) Future shock
- D) Corporate agility
- E) Projected performance

Answer: C

Diff: 2

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

- 82) Corrective actions should always
- A) strengthen an organization's competitive position in its industry.
 - B) streamline asset holdings.
 - C) have no risk.
 - D) involve abandoning existing strategies.
 - E) all of the above

Answer: A

Diff: 2

AACSB: Reflective thinking

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

83) Research suggests that which of the following is one of the best ways to overcome individuals' resistance to change in strategy evaluation?

- A) Participation
- B) Command-and-control
- C) Laissez-faire system
- D) Rational argument
- E) Emotional reactions

Answer: A

Diff: 2

AACSB: Interpersonal relations and teamwork

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Explain how to manage resistance to change

84) According to researchers, all of the following encourage individuals to accept change EXCEPT

- A) having a cognitive understanding of the changes.
- B) having a sense of control over the situation.
- C) having an awareness that necessary actions are going to be taken to implement change.
- D) participating in strategy-evaluation activities.
- E) being overpowered by the nature, types, and speed of changes.

Answer: E

Diff: 1

AACSB: Interpersonal relations and teamwork

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

85) Corrective action should do all of the following EXCEPT

- A) capitalize upon internal strengths.
- B) avoid external opportunities.
- C) avoid external threats.
- D) improve internal weaknesses.
- E) strengthen an organization's competitive position.

Answer: B

Diff: 2

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

86) Which of the following is NOT one of the four perspectives from which the Balanced Scorecard allows firms to evaluate strategies?

- A) Social responsibility
- B) Financial performance
- C) Customer knowledge
- D) Internal business processes
- E) Learning and growth

Answer: A

Diff: 2

Objective: 11.05 Describe and develop a Balanced Scorecard.

Learning Outcome: Describe how organizational performance is measured

87) What aims to balance long-term with short-term concerns, financial with nonfinancial concerns, and internal with external concerns?

- A) Contingency planning
- B) The Balanced Scorecard approach
- C) Taking corrective action
- D) Benchmarking
- E) Consonance

Answer: B

Diff: 2

Objective: 11.05 Describe and develop a Balanced Scorecard.

Learning Outcome: Describe how organizational performance is measured

88) The Fortune 50 includes all of the following EXCEPT

- A) the largest retailers.
- B) the largest transportation companies.
- C) the largest utilities.
- D) the largest banks.
- E) the largest hospitals.

Answer: E

Diff: 2

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

89) Which of the following is NOT a key attribute that serves as one of the evaluative criteria for Fortune's "America's Most Admired Companies"?

- A) People management
- B) Innovativeness
- C) Financial soundness
- D) Amount of physical resources
- E) Social responsibility

Answer: D

Diff: 1

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

90) The strategy-evaluation process should

- A) dominate decisions.
- B) be complex.
- C) be cumbersome.
- D) foster mutual understanding and trust.
- E) be restrictive.

Answer: D

Diff: 2

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

91) Controls need to be _____ rather than _____.

- A) action-oriented; information-oriented
- B) cultural; political
- C) qualitative; quantitative
- D) measurable; timely
- E) universal; diverse

Answer: A

Diff: 2

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

92) The strategy-evaluation process should foster

- A) mutual understanding.
- B) doubt.
- C) corporate culture.
- D) complexity.
- E) division.

Answer: A

Diff: 2

AACSB: Interpersonal relations and teamwork

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

93) Which of the following is true regarding the design of a firm's strategy-evaluation system?

- A) There is a one-size-fits-all system that works for all companies.
- B) It does not need to take into account the organization's size.
- C) The management style of a firm has no bearing on the design.
- D) It should be determined based on the unique characteristics of a company.
- E) There is one ideal system.

Answer: D

Diff: 1

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

94) _____ organizations require more elaborate and detailed strategy-evaluation systems than _____ ones because it is more difficult to coordinate efforts among different divisions and functional areas.

- A) Non-profit; for-profit
- B) For-profit; non-profit
- C) Large; small
- D) Small; large
- E) Foreign; domestic

Answer: C

Diff: 2

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

95) _____ plans can be defined as alternative plans that can be put into effect if certain key events do not occur as expected.

- A) Agile
- B) Scenario
- C) Evaluation
- D) Contingency
- E) Forecast

Answer: D

Diff: 1

Objective: 11.03 Discuss the importance of contingency planning in strategy evaluation.

Learning Outcome: Describe how organizational performance is measured

96) Which of the following statements about contingency plans is NOT true?

- A) Contingency plans should be as simple as possible.
- B) Only high-priority areas require the insurance of contingency plans.
- C) Contingency plans should be developed for favorable and unfavorable events.
- D) Strategists should plan for all possible contingencies.
- E) Contingency plans minimize the impact of potential threats.

Answer: D

Diff: 2

Objective: 11.03 Discuss the importance of contingency planning in strategy evaluation.

Learning Outcome: Describe how organizational performance is measured

97) What has been shown to permit quick response to change, prevent panic in crisis situations, and make managers more adaptable?

- A) Auditing
- B) Implementing a Balanced Scorecard
- C) Contingency planning
- D) Taking corrective actions
- E) Measuring performance

Answer: C

Diff: 2

AACSB: Reflective thinking

Objective: 11.03 Discuss the importance of contingency planning in strategy evaluation.

Learning Outcome: Describe how organizational performance is measured

98) What term is defined as "a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between these assertions and established criteria, and communicating the results to interested users"?

- A) Auditing
- B) Innovation
- C) R&D
- D) Strategic Management
- E) Financial ratios

Answer: A

Diff: 1

Objective: 11.04 Explain the role of auditing in strategy evaluation.

Learning Outcome: Describe how organizational performance is measured

99) International financial reporting standards (IFRS) comprise approximately _____ pages.

- A) 1,000
- B) 5,000
- C) 10,000
- D) 25,000
- E) 100,000

Answer: B

Diff: 2

Objective: 11.04 Explain the role of auditing in strategy evaluation.

Learning Outcome: Describe how organizational performance is measured

100) Already the European Union and 113 nations including Australia, Mexico, and Canada have _____ IFRS rules.

- A) adopted and then abandoned the use of
- B) been prohibited from adopting
- C) spoken out publicly against the adoption of
- D) revised the standard version of the
- E) adopted or soon plan to use

Answer: E

Diff: 2

AACSB: Diverse and multicultural work environments

Objective: 11.04 Explain the role of auditing in strategy evaluation.

Learning Outcome: Describe how organizational performance is measured

101) With regard to the visible or hidden issue, most executives agree that

- A) the SEC should regulate whether or not companies make their strategic information visible.
- B) some strategic information should remain confidential to top managers.
- C) a company has gone too far when it takes steps to ensure that strategic information is not disseminated beyond "the inner circle."
- D) the potential benefit of improved employee and stakeholder motivation and input is not worth the risk of rival firms easily knowing and exploiting a firm's strategies.
- E) keeping strategies secret from employees and stakeholder will likely improve communication, understanding, and commitment.

Answer: B

Diff: 2

AACSB: Written and oral communication

Objective: 11.06 Discuss three 21st-century challenges in strategic management.

Learning Outcome: Describe how organizational performance is measured

102) A particularly important twenty-first-century challenge facing all strategists today is

- A) deciding whether the process should be more an art or a science.
- B) deciding whether strategies should be visible or hidden from stakeholders.
- C) deciding whether the process should be more top-down or bottom-up in their firm.
- D) all of the above
- E) none of the above

Answer: D

Diff: 2

Objective: 11.06 Discuss three 21st-century challenges in strategic management.

Learning Outcome: Describe how organizational performance is measured

- 103) Increased education and diversity of the workforce at all levels are reasons why
- A) the top-down approach is preferred.
 - B) the bottom-up approach is untenable.
 - C) only top executives have the experience and acumen to make strategy decisions.
 - D) middle- and lower-level managers, and even nonmanagers, should be involved in the strategic planning process.
 - E) the horizontal approach is the most pragmatic choice.

Answer: D

Diff: 2

AACSB: Diverse and multicultural work environments

Objective: 11.06 Discuss three 21st-century challenges in strategic management.

Learning Outcome: Describe how organizational performance is measured

- 104) Most strategy literature advocates that strategic management is

- A) more of a science than an art.
- B) more of an art than a science.
- C) based on analysis rather than research.
- D) based on intuition rather than analysis.
- E) based on creativity rather than intuition.

Answer: A

Diff: 2

Objective: 11.06 Discuss three 21st-century challenges in strategic management.

Learning Outcome: Describe how organizational performance is measured

- 105) All of the following are reasons to be completely open as opposed to secretive with the strategy process EXCEPT

- A) Managers, employees and other stakeholders can readily contribute to the process.
- B) Stakeholders have greater basis for understanding and committing to a firm that is open.
- C) All levels of today's workforce exhibit increased education and diversity, making such contributions valuable.
- D) Participation and openness enhance understanding, commitment and communication within the firm.
- E) Openness limits rival firms from imitating or duplicating the firm's strategies.

Answer: E

Diff: 3

AACSB: Analytical Thinking

Objective: 11.06 Discuss three 21st-century challenges in strategic management.

Learning Outcome: Describe how organizational performance is measured

106) Mintzberg's notion of "crafting" strategies

- A) is consistent with the view that strategic management is more a science than an art.
- B) contends that firms need to assess their environments, do research, evaluate alternatives, analyze, and then choose a course of action.
- C) suggests that strategic decision making be based primarily on holistic thinking, intuition, creativity, and imagination.
- D) reject strategies that result from subjective imagination in favor of objective analysis.
- E) insists on formality.

Answer: C

Diff: 3

Objective: 11.06 Discuss three 21st-century challenges in strategic management.

Learning Outcome: Describe how organizational performance is measured

107) Explain why strategy evaluation can be a complex and sensitive undertaking.

Answer: Strategy evaluation can be a complex and sensitive undertaking. Too much emphasis on evaluating strategies may be expensive and counterproductive. No one likes to be evaluated too closely! The more managers attempt to evaluate the behavior of others, the less control they have. Yet too little or no evaluation can create even worse problems. Strategy evaluation is essential to ensure that stated objectives are being achieved.

Diff: 1

Objective: 11.02 Explain why strategy evaluation is complex, sensitive, and yet essential for organizational success.

Learning Outcome: Describe how organizational performance is measured

108) Discuss some of the reasons why strategy evaluation is becoming increasingly difficult with the passage of time.

Answer: Possible answers include: Domestic and world economies were more stable in years past; product life cycles were longer; product development cycles were longer; technological advancement was slower; change occurred less frequently; there were fewer competitors; foreign companies were weak; and there were more regulated industries. Other reasons include the following trends: 1) A dramatic increase in the environment's complexity; 2) The increasing difficulty of predicting the future with accuracy; 3) The increasing number of variables; 4) The rapid rate of obsolescence of even the best plans; 5) The increase in the number of both domestic and world events affecting organizations; and 6) The decreasing time span for which planning can be done with any degree of certainty.

Diff: 2

Objective: 11.02 Explain why strategy evaluation is complex, sensitive, and yet essential for organizational success.

Learning Outcome: Describe how organizational performance is measured

109) Compare and contrast two of Rumelt's four criteria for evaluating strategies.

Answer: Rumelt's four criteria for evaluating strategies are consistency, consonance, feasibility, and advantage. Consonance and advantage are mostly based on a firm's external assessment, whereas consistency and feasibility are largely based on an internal assessment. Consistency: a strategy should not present inconsistent goals and policies. Organizational conflict and interdepartmental bickering may be a sign of strategic inconsistency. Consonance: this refers to the need for strategists to examine sets of trends, as well as individual trends, in evaluating strategies. Feasibility: the final broad test of strategy is feasibility; that is, can the strategy be attempted within the physical, human, and financial resources of the enterprise? Advantage: a strategy must provide for the creation and/or maintenance of a competitive advantage in a selected area of activity. Competitive advantages normally are the result of superiority in one of three areas: resources, skills, or position.

Diff: 3

AACSB: Analytical Thinking

Objective: 11.02 Explain why strategy evaluation is complex, sensitive, and yet essential for organizational success.

Learning Outcome: Describe how organizational performance is measured

110) Describe each of the activities that comprise strategy evaluation.

Answer: The activities that comprise strategy evaluation are: 1) reviewing bases of an organization's strategy; 2) measuring organizational performance; and 3) taking corrective actions. Step 1 can be achieved by developing a revised EFE Matrix and IFE Matrix. External opportunities and threats and internal strengths and weaknesses that represent the bases of current strategies should continually be monitored for change. Step 2 includes comparing expected results to actual results, investigating deviations from plans, evaluating individual performance, and examining progress being made toward meeting stated objectives. Criteria for evaluating strategies should be measurable and easily verifiable. Step 3 requires making changes to competitively reposition a firm for the future. Examples of such action are altering a firm's structure, selling a division, or revising a business mission. Taking corrective actions does not necessarily mean that existing strategies will be abandoned or even that new strategies must be formulated.

Diff: 2

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

111) What quantitative criteria are commonly used to evaluate strategies? Give several examples of these criteria.

Answer: Quantitative criteria commonly used to evaluate strategies are financial ratios, which strategists use to make three critical comparisons: 1) comparing the firm's performance over different time periods; 2) comparing the firm's performance to that of competitors'; and 3) comparing the firm's performance to industry averages.

Diff: 1

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

112) Discuss the different perspectives and concerns of the Balanced Scorecard.

Answer: The Balanced Scorecard is a process that allows firms to evaluate strategies from four perspectives: financial performance, customer knowledge, internal business processes, and learning and growth. It aims to balance long-term concerns with short-term concerns, financial with non-financial concerns, and internal with external concerns.

Diff: 2

Objective: 11.05 Describe and develop a Balanced Scorecard.

Learning Outcome: Describe how organizational performance is measured

113) Identify some characteristics of an effective evaluation system.

Answer: Strategy-evaluation activities must be economical, meaningful, and timely. Strategy evaluation should be designed to provide a true picture of what is happening. Controls need to be action-oriented rather than information-oriented. The strategy-evaluation process should not dominate decisions; it should foster mutual understanding, trust, and common sense. The test of an effective system is its usefulness, not its complexity. There is no one ideal system; the unique characteristics of a firm should determine the system's final design.

Diff: 2

Objective: 11.01 Describe a practical framework for evaluating strategies.

Learning Outcome: Describe how organizational performance is measured

114) Describe the steps involved in effective contingency planning.

Answer: The suggested process of effective contingency planning is as follows: 1) Identify both good and bad events that could jeopardize strategies; 2) determine when the good and bad events are likely to occur; 3) determine the expected pros and cons of each contingency event; 4) develop contingency plans for key contingency events; 5) determine early warning trigger points for key contingency events and monitor them.

Diff: 2

Objective: 11.03 Discuss the importance of contingency planning in strategy evaluation.

Learning Outcome: Describe how organizational performance is measured

115) Discuss some contingency plans commonly established by firms.

Answer: They include: 1) if a major competitor withdraws from particular markets as intelligence reports indicate, what actions should our firm take? 2) If our sales objectives are not reached, what actions should our firm take to avoid profit losses? 3) If demand for our new product exceeds plans, what actions should our firm take to meet the higher demand? 4) If certain disasters occur — such as loss of computer capabilities; a hostile takeover attempt; loss of patent protection — what actions should our firm take? 5) If a new technological advancement makes our new product obsolete sooner than expected, what actions should our firm take?

Diff: 2

Objective: 11.03 Discuss the importance of contingency planning in strategy evaluation.

Learning Outcome: Describe how organizational performance is measured

116) What are some of the reasons for and against the U.S. adopting international financial reporting standards (IFRS).

Answer: The old GAAP standards comprised 25,000 pages, while the new IFRS comprises only 5,000 pages, so in that sense IFRS is less cumbersome. IFRS rules are more streamlined and less complex than GAAP. The Chamber of Commerce supports the switch and says it will lead to much more cross-border commerce and help the U.S. compete in the world economy. Others say the switch will help U.S. companies raise capital abroad and do business with firms abroad. On the other hand, the switch will cost U.S. businesses millions of dollars in fees and upgraded software systems and training. U.S. CPAs need to study global accounting principles intensely. The switch is also anticipated to be plagued by gaping differences in business customs, financial regulations, tax laws, politics, and other factors.

Diff: 2

AACSB: Analytical Thinking

Objective: 11.04 Explain the role of auditing in strategy evaluation.

Learning Outcome: Describe how organizational performance is measured

117) What are the three particular challenges that strategists face today?

Answer: The three challenges that strategists face today are: 1) deciding whether the process of strategic management should be more of an art or a science; 2) deciding whether strategies should be visible or hidden from stakeholders; or 3) deciding whether the process should be more top-down or bottom-up in the firm.

Diff: 1

Objective: 11.06 Discuss three 21st-century challenges in strategic management.

Learning Outcome: Describe how organizational performance is measured