Management Leading and Collaborating in a Competitive World 13th edition Bateman Test Bank

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Management, 13e **(Bateman)**
Chapter 2 The External and Internal Environments

1) Organizations are open systems that affect and are affected by their external environments.

2) Raw materials are an example of inputs.

3) When investors bid up stock prices, companies have less capital to fuel their strategies.

4) A more diverse workforce presents managers with challenges as well as opportunities.

5) According to Michael Porter's model, the competitive environment includes rivalry among current competitors and the impact of new entrants, substitute and complementary products, suppliers, and customers.

6) Organizations are at an advantage if they depend on a single powerful supplier because such dependency ensures consistency.

7) Environmental uncertainty refers to the lack of information needed to understand or predict the future.

8) Enrico has used environmental scanning to gather information that will help him make his company more competitive. This is an example of cognitive intelligence.

9) April, a manager in a call center, encourages her employees to solve customers' problems without her approval of the particular situation. In this case, April is trying to empower her employees.

10) A strong organization culture is one in which lower-level employees do not concern themselves with the firm's goals, priorities, and practices because management deals with those issues.

11) What term is used to describe all the relevant forces outside an organization's boundaries?
A) environmental scanning
B) competitive intelligence
C) external environment
D) competitive environment
E) organizational climate

12) A firm's _____ includes its rivals, suppliers, customers, new entrants, substitutes, and complementary products.
A) environmental scanning
B) competitive intelligence
C) external environment
D) competitive environment
E) organizational climate

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13) Bettie's Bags buys leather and lesser quantities of canvas, zippers, metal snaps, and other materials to manufacture purses. Which of the following is Bettie's Bags' output?
A) leather
B) canvas
C) zippers
D) snaps
E) purses

14) Although a top executive team may have unique _____ strengths and ideas about its goals, it must consider _____ factors before taking action.
A) external; internal
B) internal; external
C) traditional; unconventional
D) unconventional; traditional
E) past; future

15) Which of the following statements about the impact of the stock market is true?
A) The stock market has little effect on the amount of capital a company has.
B) If a company exceeds its performance expectations, its stock price will often drop.
C) Publicly held companies are more insulated from the stock market than privately held companies.
D) The stock market may have a profound effect on the behavior of individual managers.
E) Stock market fluctuations have little effect on the compensation of managers.

16) A failure to develop a strategy that incorporates _____ may doom a firm to obsolescence.
A) hierarchical bureaucracy
B) many layers of middle management
C) classic production methods
D) technological advances
E) closed communication systems

17) Which of the following is a U.S. government policy or action that is most likely to provide an opportunity for businesses?
A) deductions in the tax code
B) fines on heavy polluters
C) laws against bribing officials
D) court rulings against monopolies
E) failure to rule a new product as safe

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18) U.S. government policies impose strategic constraints on business organizations, such as the requirement that businesses with 50 or more full-time employees offer health insurance. Juan is the manager of a small factory with 75 employees. Juan sees these government regulations and laws as a detriment to his business and its profitability. What is Juan missing in his assessment of government regulations and laws and their impact on his business?
A) The law is changing every day and may increase the size of businesses required to provide health insurance.
B) The health insurance requirement is likely to increase labor costs.
C) The health insurance requirement can be used strategically when recruiting and retaining talent.
D) Giving more generous benefits lowers the cost of compensating employees.
E) Bribes and kickbacks are illegal practices in the United States.

19) What are demographics?
A) trends regarding how the people within a society think and behave
B) conditions that prevent new companies from entering an industry
C) measures of various characteristics of the people who make up social units
D) the fixed costs that buyers face if they change suppliers
E) the lack of information needed to understand or predict the future

20) How is immigration affecting U.S. demographics?
A) It is increasing the diversity of the workforce.
B) It is decreasing the number of workers.
C) It is decreasing the number of consumers.
D) It is making the educational levels of the workforce more similar.
E) It is decreasing the amount of paperwork needed to hire workers.

21) Which of the following was introduced as the result of an evolving societal trend?
A) shares of stock
B) hourly wages
C) levels of management
D) offshoring
E) family leave

22) Which of the following was designed to help managers analyze the competitive environment and adapt to or even influence the nature of competition?
A) Dell's IdeaStorm
B) Michael Porter's model
C) B2B selling
D) Peter Drucker's theory
E) organizational smoothing

23) Which of the following is a barrier to entry?
A) consumer demand for a product
B) brand identification
C) the existence of a popular complement
D) a low-cost distribution method
E) an inexpensive production process

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24) Karl's office has always used Bentley computers. His technical people have suggested that he switch all his employees over to Best computers. Karl is reluctant because it will mean not only replacing all the computers but also buying all new software and taking the time to train everyone. Karl is worried about
A) barriers to entry.
B) benchmarking.
C) environmental uncertainty.
D) switching costs.
E) strategic maneuvering.

25) Supply chain management refers to the
A) search for information that is unavailable to most people and the process of interpreting what is important and what is not.
B) identification of the best-in-class performance by a company in a given area and the comparison of your processes to the company's processes.
C) procedure of sharing power with employees, thereby enhancing their confidence and their belief that they are influential contributors to the organization.
D) creation of new products, advanced production techniques, and better ways of managing and communicating.
E) managing of the network of facilities and people that obtain raw materials, transform them into products, and distribute them to customers.

26) The goal of _____ is having the right product in the right quantity at the right place at the right cost.
A) barriers to entry
B) benchmarking
C) supply chain management
D) empowerment
E) open systems

27) Tomiko is the manager of Davis Freight, a mid-sized trucking company. The owners have assigned Tomiko the task of applying strategic decision making to analyze the competitive environment. Tomiko does an analysis of the competitors currently in the market and how much market share each has. In addition, Tomiko looks at trends in the trucking industry and how Davis has addressed those trends. Tomiko assesses the possibility of new entrants to the market, factoring in barriers to entry in the trucking business. In addition, Tomiko studies substitutes and complements, as well as suppliers and customers. Is Tomiko covering all of her bases in assessing the competitive environment?
A) Tomiko has covered the bases necessary for her analysis and is ready to present it.
B) Tomiko failed to consider the impact of capital requirements and brand identification.
C) Tomiko needs to include an assessment of the tactics other companies use to compete.
D) Tomiko should look at the impact of both cost disadvantages and distribution channels.
E) Tomiko should not consider the impact trends in the industry as part of her assessment.

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28) _____ means searching for and sorting through information about the environment.
A) Environmental uncertainty
B) Competitive intelligence
C) Domain selection
D) Environmental scanning
E) Strategic maneuvering

29) A human resources manager is considering changing her company's vacation policy. Before she makes a proposal to the senior executive team, she researches the vacation policies of other leading companies in her industry. This is an example of
A) benchmarking.
B) demographics.
C) inputs.
D) buffering.
E) smoothing.

30) What is the purpose of benchmarking?
A) to save money
B) to reduce the workforce
C) to adopt best practices
D) to expand internationally
E) to diversify products

31) Diversified Industries decides to use the expertise it has from its canned-pet-food division and its health-food division to enter the fast-growing market for fresh, natural pet foods. This is an example of
A) diversification.
B) benchmarking.
C) a merger.
D) domain selection.
E) an acquisition.

32) Which of the following is said to occur when two or more firms combine?
A) an acquisition
B) a takeover
C) a merger
D) diversification
E) downsizing

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33) Which of the following is the best description of organizational culture?
A) conditions that prevent new companies from entering an industry
B) the network that obtains raw materials, transforms them into products, and distributes them to customers
C) the process of searching out information that is unavailable to most people and sorting through it to interpret what is important and what is not
D) the process of comparing an organization's practices and technologies with those of other companies
E) a system of shared values about what is important and beliefs about how the world works

34) Which of the following would be a sign of a weak organizational culture?
A) Everyone knows the organization's goals.
B) Everyone understands how things are done.
C) Everyone believes in the company's mission.
D) Everyone uses a rulebook to decide what to do.
E) Everyone helps new employees fit in.

35) Corporate mission statements, business practices, symbols and ceremonies, and the stories people tell can all give clues to
A) organizational climate.
B) organizational culture.
C) competitive environment.
D) external environment.
E) macroenvironment.

36) In comparison to organizational culture, organizational climate
A) is more deeply held.
B) is based on values rather than attitudes.
C) does not have a discernible pattern.
D) can be measured more readily.
E) is less easy to manage.

37) Organizational climate consists of the patterns of _____ that shape people's experience of an organization.
A) attitudes and behavior
B) demographic characteristics
C) deeply held beliefs and values
D) inputs and outputs
E) buffering and smoothing

38) Organizations are _____ systems, which means that they are affected by and in turn affect their external environments.
A) input
B) output
C) open
D) closed
E) social

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39) Haru, a new manager at an electronics company, has been asked to focus on the competitive environment of the organization. Which of the following is a factor Haru should focus on?
A) government regulation
B) economic performance
C) demographics
D) rivals
E) technology

40) The immediate environment surrounding a firm is known as its
A) macroenvironment.
B) demographic environment.
C) competitive environment.
D) internal environment.
E) economic environment.

41) _____ lead to new products, advanced production facilities, and better ways of managing and communicating.
A) Demographic shifts
B) Societal preferences
C) Political changes
D) Technological advances
E) Economic turbulences

42) Advances in 3-D printing have made it easier and faster for manufacturers to create prototypes of new parts. These advances are an example of changes in the _____ environment.
A) technological
B) economic
C) political
D) demographic
E) biophysical

43) Using bribery as a business tactic may result in fines for U.S. firms. Which of the following types of environmental forces at work does this reflect?
A) competitive
B) economic
C) legal
D) technological
E) demographic

44) _____ are specific government organizations in a firm's more immediate task environment.
A) Open systems
B) Regulators
C) Prospectors
D) Stakeholders
E) Defenders

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45) _____ are measures of various characteristics of the people who make up groups or other social units.
A) Psychographics
B) Demographics
C) Domain selections
D) Lifestyle analytics
E) Group dynamics

46) The recent legalization of same-sex marriage has major implications for how companies manage their labor force. For example, companies must now make sure their benefit packages include all types of family structures. This is an example of how _____ trends affect businesses.
A) psychological
B) political
C) economic
D) technological
E) societal

47) Which of the following is an element of Michael Porter's model for analyzing the competitive environment of an organization?
A) substitutes
B) cost strategy
C) societal trends
D) regulatory forces
E) demographics

48) A firm's current competition, suppliers, customers, and the threat of new entrants or of substitutes are all elements in the
A) task environment.
B) Peter's model for organizational excellence.
C) microenvironment.
D) Porter's model for competitive environment.
E) supply chain management.

49) Venus was a low-cost airline that operated in the 1990s. Industry analysts state that although Venus was able to provide all the services the customers wanted, it was thrown out of business because of aggressive pricing from larger airline firms. Which of the following aspects of the competitive environment does this scenario illustrate?
A) customers
B) rivals
C) regulators
D) the economy
E) social trends

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50) Conditions that may prevent new firms from entering an industry are referred to as
A) barriers to entry.
B) strategic maneuvers.
C) unfair trade practices.
D) industry regulators.
E) entry inhibitors.

51) Hospitals and universities are very expensive to run, not only due to the capital equipment that is required for each but also due to the personnel, such as specialized medical doctors and researchers. The cost of these types of institutions is an example of
A) a barrier to entry.
B) environmental uncertainty.
C) unfair competition.
D) high switching costs.
E) strategic maneuvering.

52) A(n) _____ is a potential threat; customers use it as an alternative, buying less of one kind of product but more of another.
A) new entrant
B) substitute
C) ensemble
D) divestiture
E) complement

53) If many factors prevent new companies from entering an industry, the
A) threat of new entrants is more serious.
B) threat of competitive rivalry is high.
C) threat to established firms is less serious.
D) new companies can easily compete with the established ones.
E) industry is said to have just a few barriers to entry.

54) Which of the following is an example of a potential substitute product?
A) salsa for ketchup
B) ink cartridges for printers
C) socks for shoes
D) iTunes for iPods
E) furniture for apartments

55) Organizations must acquire a variety of resources in order to produce a product or service of value. These resources may include materials, equipment, financing, or even employees. The sources that provide these various resources are referred to as
A) shareholders.
B) regulators.
C) retailers.
D) suppliers.
E) prospectors.

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56) _____ costs are fixed costs buyers face if they change suppliers.
A) Changing
B) Switching
C) Renewable
D) Exchange
E) Sunk

57) Loyalty Management Consulting uses the services of QuickBite, which runs the employee cafeteria in the building and also caters business meetings at a discounted rate because of the volume of business it does with Loyalty. The other available cafeteria services do not provide catering. In this case, if Loyalty decides to terminate QuickBite's contract and shift to some other service, it is likely to create
A) high employment costs.
B) redemption costs.
C) favorable quality status.
D) complementary products.
E) high switching costs.

58) _____ refers to management of the network of facilities and people that obtain materials from the outside, transform them into products, and distribute the products to customers.
A) Inventory management
B) Strategic maneuvering
C) Human resource management
D) Customer service
E) Supply chain management

59) A customer who purchases raw materials or wholesale products before selling them to other parties is known as a(n)
A) final purchaser.
B) intermediate consumer.
C) final customer.
D) first-tier supplier.
E) preliminary customer.

60) The main difference between a final consumer and an intermediate consumer is that
A) the intermediate consumer purchases finished products, whereas the final consumer buys only raw materials.
B) intermediate consumers buy raw materials and sell finished products to final consumers, who use them.
C) final consumers make more purchases than the intermediate consumers.
D) unlike final consumers, intermediate consumers provide monetary benefits to organizations by purchasing their products.
E) final consumers tend to have more bargaining power than intermediate consumers.

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61) Giving consumers what they want or need, the way they want it, the first time is known as
A) planned merchandise.
B) planned obsolescence.
C) customer service.
D) cause marketing.
E) operations management.

62) Environmental _____ refers to the degree of discontinuous change that occurs within the industry.
A) complexity
B) dysfunction
C) contracting
D) cooptation
E) dynamism

63) The managers at Green Thumb Gardening Tools engage in an annual organizational assessment, trying to predict industry changes as well as possible opportunities and threats. They look at issues, such as who their competitors are, current entry barriers, and what substitutes exist for their products. This assessment is called
A) scenario development.
B) forecasting.
C) benchmarking.
D) environmental scanning.
E) strategic maneuvering.

64) An outcome of environmental scanning is _____, which is the information necessary to decide how best to manage in a given competitive environment.
A) corporate governance
B) strategic vision
C) competitive intelligence
D) corporate espionage
E) competitive dissertation

65) Nargis writes a narrative that describes what she thinks will happen to her child-care business if the trend of flexible hours for corporate employees continues to grow. This narrative is an example of
A) benchmarking.
B) a scenario.
C) strategic maneuvering.
D) a divestiture.
E) strategic vision.

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66) _____ create alternative combinations of different factors into a total picture of the environment and a firm.
A) Scenarios
B) Forecasts
C) Benchmarks
D) Competitive intelligences
E) Strategic maneuvers

67) Which of the following combinations can result in a best-case scenario?
A) many competitors, high threat with and few entry barriers, and few customers
B) many competitors, high threat with and few entry barriers, and many customers
C) few entry barriers, many substitutes, and many customers
D) high industry growth, low threat with and many entry barriers, and customers with low bargaining power
E) low industry growth, high threat with and few entry barriers, and suppliers with low bargaining power

68) The method for predicting how variables will change in the future is known as
A) budgeting.
B) buffering.
C) forecasting.
D) benchmarking.
E) scanning.

69) Which of the following is true about using forecasts?
A) Multiple forecasts are best, and their predictions can be averaged.
B) Forecasts become more accurate when predicting further into the future.
C) Forecasts are useless when the future will look radically different from the past.
D) The more complex the forecast, the more accurate are the predictions.
E) The accuracy of forecasts does not vary from one application to another.

70) Mila, who works as a manager for a manufacturing company, investigates what computer programs her company's five biggest rivals use for placing and tracking customer orders. She then compares the features of those programs with the program her company uses. What process has Mila used?
A) scenario planning
B) forecasting
C) benchmarking
D) environmental scanning
E) strategic maneuvering

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71) To improve customer service in its overseas call center, Bell Software decided to investigate the call center practices of competing companies. The team discovered that a smaller company, Bumblebee Software Inc., seemed to have outstanding customer service. The team then determined differences between the organizations and developed a plan to incorporate the best elements of Bumblebee into Bell. This illustrates
A) environmental dynamism.
B) benchmarking.
C) strategic maneuvering.
D) cooperative action.
E) forecasting.

72) Domain selection, diversification, mergers/acquisitions, and divestiture are all examples of
A) illegal boundary management.
B) maneuvering the competition.
C) strategic maneuvering.
D) independent strategies.
E) portfolio maneuvering.

73) _____ occurs when a firm invests in different types of businesses or products or when it expands geographically to reduce its dependence on a single market or technology.
A) Domain selection
B) Diversification
C) Acquisition
D) Divestiture
E) Empowerment

74) The entrance by a company into another market or industry for which it has an existing expertise is called
A) benchmarking.
B) strategic positioning.
C) outsourcing.
D) domain selection.
E) cooptation.

75) One firm buying another is called a(n)
A) merger.
B) acquisition.
C) divestiture.
D) prospective.
E) defender.

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76) Complete Office Products recently announced that it was selling off its office furniture division in order to realign itself more competitively in the marketing of its other products, particularly those in its office supplies and technology divisions. Which of the following strategic maneuvers is illustrated in this scenario?
A) diversification
B) an acquisition
C) a merger
D) divestiture
E) domain selection

77) Two general types of proactive strategies for influencing an organization's environment are
A) dependent strategies and independent strategies.
B) independent action and cooperative action.
C) cooperative strategies and strategic maneuvering.
D) strategic maneuvering and dependent strategies.
E) independent action and strategic maneuvering.

78) _____ strategies are used by an organization acting on its own to change some aspect of its current environment.
A) Flexible
B) Buffering
C) Independent
D) Smoothing
E) Cooperative

79) Titan and Spencer-Fields are the two leading online booksellers. Recently, Titan engaged in an online price war with Spencer-Fields in order to gain greater market share. This is an example of _____ on the part of Titan.
A) cooptation
B) voluntary action
C) competitive pacification
D) competitive aggression
E) environmental scanning

80) Aunt Lucy's Style is a company that sells different types of costume jewelry. When Aunt Lucy's Style spends its own money to promote the costume jewelry industry as a whole, the company is practicing
A) competitive aggression.
B) competitive pacification.
C) public relations.
D) voluntary cooptation.
E) comparative action.

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81) When a brand advertises its products as being superior to that of its competitors, it is demonstrating
A) competitive aggression.
B) competitive pacification.
C) benchmarking.
D) political action.
E) cooptation.

82) When two or more companies work together to manage their external environment, they are using
A) monopolistic strategies.
B) strategic maneuvering.
C) cooperative strategies.
D) dependent strategies.
E) competitive strategies.

83) Quartermaine University has just formed a board of trustees and invited 25 of its wealthiest alumni to join. In this example, Quartermaine University is demonstrating
A) contraction.
B) cooptation.
C) coalition.
D) political action.
E) voluntary action.

84) Wellspring Health and United Coverage are two health insurance companies that have joined forces with one another to lobby against a new regulation that will affect their ability to deny claims. This action is referred to as
A) contraction.
B) coalition.
C) cooptation.
D) domain selection.
E) benchmarking.

85) The process of sharing power with employees is called
A) empowerment.
B) downgrading.
C) benchmarking.
D) vertical synergy.
E) power building.

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86) Fatima recently got promoted to a managerial role in a bureaucratic organization. The industry was changing dramatically, and Fatima suggested that the management team encourage employees to develop confidence by giving them some control and authority in order to create a more flexible, adaptable organization. Here, Fatima is suggesting the use of _____ with employees.
A) smoothing
B) benchmarking
C) empowerment
D) cooptation
E) coalition

87) Creating supplies of excess resources in case of unpredictable needs is known as
A) cooptation.
B) smoothing.
C) flexible processing.
D) empowering.
E) buffering.

88) Diego owns Signature Gifts, a store that specializes in items that businesses can customize with their company name or logo and then give away as advertising or customer-loyalty rewards. He is projecting that the economy will rebound this fall. He ordered additional holiday-themed gifts in February in anticipation of possible surge in sales during the holiday season. In this case, which of the following methods is Diego using to be sure that he has enough gifts for extra holiday customers?
A) just-in-time inventory
B) smoothing
C) benchmarking
D) buffering
E) diversification

89) Leveling normal fluctuations at the boundaries of the environment is called
A) buffering.
B) smoothing.
C) flexible processing.
D) empowerment.
E) coalition.

90) Methods for adapting the technical core to changes in the environment are known as
A) flexible processes.
B) smoothing effects.
C) buffering techniques.
D) benchmarking tools.
E) environmental scanners.

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91) NBIC (National Bicycle Industrial Company) of Japan specializes in mass customization to cater to the changing demands of its customers. Customers can choose the frame and other parts of the bicycle and it is made according to their order. This is one example of how NBIC uses
A) cooptation.
B) flexible processes.
C) smoothing techniques.
D) benchmarking.
E) diversification.

92) Paul runs a large, publicly owned automotive supply company called KarParts Inc. His stockholders have demanded to know why KarParts Inc.'s earnings expectations were not fulfilled in the previous year, and they demand to know how Paul is prepared to improve earnings for the current year. Paul suspects the problem is that the company is experiencing environmental uncertainty. In that case, which of the following would be most helpful for Paul to consider?
A) the different ways his rivals in the industry are competing with him
B) the value of engaging in unlawful or unethical behavior
C) the demographics of his target customers
D) the extent to which his employees understand the organizational culture
E) the effect that his company is having on the natural environment

93) The set of important assumptions about an organization and its goals and practices that members of the company share is called organization
A) culture.
B) design.
C) climate.
D) layout.
E) structure.

94) Little Learners is a company that designs and manufactures fun and educational toys. The company makes it a point to stress to its employees that innovation is its core strength. The employees even get an hour a day to brainstorm and come up with out-of-the-box ideas. This highlights the _____ of the company.
A) cooperative strategies
B) external environment
C) organization culture
D) competitive pacification
E) domain selection

95) Paolo has been offered jobs at two different retail companies and needs to decide which one to accept. Which of the following can be a useful clue about each organization's culture?
A) the way employees interact with customers
B) information printed in the media about stock prices
C) the macroenvironment
D) the personality characteristics of employees
E) the industrial environment

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96) Tansal is a new marketing manager for JustBooks, a small bookstore chain in the Midwest. He has been told by the human resources department that management thinks he is having difficulty assimilating into the organization culture of the company. To improve his situation, Tansal should consider whether
A) the organization culture is too weak for a strong personality like him.
B) he should spend more time socializing with the top managers.
C) his educational qualifications are too high for the position he is doing.
D) his dress, behavior, and interactions fit in with those of his colleagues.
E) he needs to increase the success rate of his marketing campaigns.

97) Which of the following statements about organizational culture is true?
A) Corporate mission statements are always a true expression of a firm's culture.
B) Who is hired and fired and why indicate the firm's real values and are a clue to the culture.
C) A firm with a strong culture will have different people holding different values.
D) A culture that was advantageous in a prior era continues to be so in a new environment.
E) It is not necessary to consider culture when considering a merger.

98) A company uses independent strategies when it acts on its own to change some aspect of its
A) environment.
B) competition.
C) corporate organization.
D) corporate strategies.
E) employment policies.

99) In some situations, two or more organizations work together using _____ to influence the environment.
A) independent strategies
B) competitive aggression
C) cooperative strategies
D) competitive pacification
E) public relations

100) The attitude and behavior patterns that shape people's experience of an organization is called an organizational
A) culture.
B) climate.
C) environment.
D) strategy.
E) adhocracy.

101) Kate, the manager of Halpern Tooling Company, wants to create a stronger, more positive culture at the company. How might Kate promote and encourage a stronger culture?
A) Create a spreadsheet showing that employees are better paid than at other companies.
B) Treat employees to a lunch/presentation that showcases the firm's goals and priorities.
C) Analyze the macroenvironment of the company and that of its competitors.
D) Analyze the competitive environment and competitive intelligence of the company.
E) Suggest that supervisors review the company handbook with their departments.

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Scenario A. Marla's Basement is a small retail store that specializes in antique figurines and decorative knickknacks. In analyzing the environment, Marla has uncovered the following interesting findings:

1. Marla has recently purchased more inventory than in the past. The people from whom she buys are selling off more knickknacks because their children are not interested in this type of decorative items and they would prefer to liquidate unnecessary household items to help them with their daily expenses.
2. Marla discovered that her business is in a historical preservation district. As she considers remodeling the shop, she realized that she must pay attention to the guidelines set forth in the governing laws.
3. Marla's buyer-customer base seems to be changing. The tastes of the younger generation near her shop are shifting to modern decor, so the customer base to which she sells is shrinking.
4. Marla has been told that she should consider selling her inventory via the Internet, but she does not own (or understand how to use) a computer.
5. In reading a survey of regional business, Marla discovered that there are no other antique knickknack stores within 200 miles.

102) In Scenario A, which of the following elements of the macroenvironment was part of Marla's findings?
A) sustainability
B) psychology
C) corporate governance
D) sociology
E) technology

103) When Marla read the survey of regional businesses, she was investigating
A) the competitive environment.
B) the macroenvironment.
C) a closed environment.
D) the internal environment.
E) the social environment.

104) Findings about changing customer preferences and others who sell antique knickknacks are associated with the
A) competitive environment as described by Porter.
B) macroenvironmental economic trends.
C) macroenvironmental political trends.
D) amount of rivalry in Marla's internal environment.
E) barriers to entry in Marla's competitive environment.

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105) Which of the following elements of the macroenvironment is most closely associated with the findings about the historical preservation district?
A) laws and regulations
B) the economy
C) demographics
D) technology
E) the natural environment

Scenario B. Paul and his wife are investigating the possibility of starting a new restaurant in Beaufort, a small town in the South Carolina low country. It has been Paul's lifelong dream. Paul has won a lottery and is trying to decide if this is what he wants to do with the prize money. He decides to do an analysis of the competitive environment. After his analysis, he discovers several important issues. First, it will cost most of Paul's lottery winnings to finance a restaurant in Beaufort. Second, it will be difficult to attract new customers because they have so many eating choices available to them in Beaufort and the surrounding towns. Finally, the competition in the restaurant industry is considered fierce by industry analysts and this is frightening to someone, like Paul, who has never worked in that industry.

106) Which of the following factors would Paul have considered while analyzing the competitive environment?
A) technology
B) substitutes
C) legal factors
D) economic factors
E) demographics

107) The information that Paul has collected in his competitive analysis can be referred to as
A) corporate espionage.
B) competitive intelligence.
C) domain selection.
D) strategic vision.
E) mission statement.

108) From Scenario B, based on Paul's analysis of the competitive environment, it can be inferred that
A) the customers will face switching costs.
B) there are no competitors.
C) there are many substitutes.
D) there are no barriers to entry.
E) the threat of new entrants is high.

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109) Which of the following factors is indicated by the fact that it will require a large capital investment to start a new restaurant?
A) high bargaining power of customers
B) low threat of new entrants
C) high threat of new entrants
D) many substitute products
E) low bargaining power of customers

Scenario C. Parker Brothers is a high-end furniture manufacturer located in the Midwest. Mr. Herbert "Bud" Parker started the firm as a young man in the 1960s. The firm has grown, but with growth, it has never forgotten the vision of Mr. Parker: to be creative in all that the firm does while rewarding employees who show innovation and entrepreneurial leadership. Each year the Budding Genius Award is given to the employee who comes up with the best design or marketing idea. New employees are told of the organization's history of product innovation and are taken on a tour of the "Wall of Parker Legends," where pictures of outstanding employees are hung with descriptions of their accomplishments. Managers at the firm encourage their team members to take risks in proposing new ideas. The company prides itself on its product leadership.

110) The stories about the "Parker Legends" and the organization's most innovative designs are all clues to understanding the
A) organization culture.
B) company's macroenvironment.
C) organization's competitive environment.
D) collective competitive intelligence.
E) organizational structure.

111) Which of the following is an example of passing along organization culture through the stories people tell?
A) Budding Genius award
B) the vision to be creative in all the firm does
C) Wall of Parker Legends
D) the encouragement of risks
E) rewards for innovation and entrepreneurial leadership

112) Based on the information in Scenario C, which of the following is likely to be the dominant attribute of Parker Brothers?
A) rules and regulations
B) creativity
C) competitiveness
D) control
E) collaboration

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Scenario D. Jimena works for a small company that makes nut butters from ingredients like cashews and macadamia nuts, and jams from mixtures of tropical fruits. She reports to the CFO. It is her job to predict the costs of raw materials for the next five years. She uses various research sources, including the news, to learn who the competitors are and what they have been doing. In fact, she subscribes to an analyst e-newsletter that tells her about crop availability and weather conditions all around the globe. Every month she develops a spreadsheet for her boss indicating the likely costs of fruits and nuts given the type of weather conditions expected in each area of the world and thus the availability of particular crops. She is also involved in a team that is investigating how to cut production costs. They have recently met with Spicy Sides, a company that produces jars of condiments. Spicy Sides is considered the top company in the condiment industry, especially in its knowledge of how to pack food products in jars. Jimena's team is comparing their processes to those of Spicy Sides to see how they might improve.

113) When predicting the costs for her company, Jimena is engaging in
A) forecasting.
B) competitive intelligence.
C) environmental scanning.
D) benchmarking.
E) scenario development.

114) The information Jimena is using to compete in a better way is called
A) mission statement.
B) competitive intelligence.
C) best-case scenario.
D) organizational database.
E) knowledge document.

115) The spreadsheet that Jimena uses gives her a chance to examine different projections, which is a form of
A) divestiture.
B) strategic maneuvering.
C) domain selection.
D) benchmarking.
E) scenario development.

116) Which of the following are Jimena and her team using when they learn from Spicy Sides about its packing process?
A) forecasting
B) strategic maneuvering
C) domain selection
D) benchmarking
E) scenario development

117) List the elements of a firm's macroenvironment and illustrate how each affects the firm.

118) Give an example of a current societal trend and how it might affect a specific business. Explain the impact by using specific details.

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119) Explain how technology can help an organization.

120) Discuss how immigration patterns influence the management of the U.S. labor force.

121) Explain how sustainability and natural environment affect the management of an organization.

122) Identify the different types of competitors that organizations must consider when analyzing their competitive environment.

123) List actions and attitudes that result in excellent customer service.

124) As environmental uncertainties increase, managers must develop techniques and methods for collecting, sorting through, and interpreting information about the environment. Discuss four of these methods, explaining when and why each would be used.

125) Differentiate between unattractive and attractive competitive environments, using Porter's model of the competitive environment.

126) Summarize the different approaches of strategic maneuvering that organizations can take to change the environment they are in.

127) Explain two general types of proactive responses that managers and organizations can take to change the environment.

128) Contrast bureaucratic and organic organizations.

129) Explain the different characteristics of strong corporate cultures and weak corporate cultures.

130) What are the clues to understanding an organization's culture? List the characteristics of a strong culture.

131) Describe the culture of an organization that you have either worked in or studied about. Evaluate whether it was a strong or weak culture, and justify your answer with reasons.

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Management, 13e **(Bateman)**
Chapter 2 The External and Internal Environments

1) Organizations are open systems that affect and are affected by their external environments.

Answer: TRUE
Explanation: Organizations are open systems—that is, they are affected by and in turn affect their external environments. For example, they take in inputs from their environment and use them to create products and services that are outputs to their environment.
Difficulty: 1 Easy
Topic: External Environment
Learning Objective: 02-01 Describe how environmental forces influence organizations and how organizations can influence their environments.
Bloom's: Remember
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

2) Raw materials are an example of inputs.

Answer: TRUE
Explanation: Inputs are the goods and services organizations take in and use to create products or services. Outputs are the products and services organizations create.
Difficulty: 1 Easy
Topic: Inputs
Learning Objective: 02-01 Describe how environmental forces influence organizations and how organizations can influence their environments.
Bloom's: Remember
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

3) When investors bid up stock prices, companies have less capital to fuel their strategies.

Answer: FALSE
Explanation: An important economic influence on a company is the stock market. When investors bid up stock prices, they are paying more to own shares in companies, which means the companies have more capital to fuel their strategies.
Difficulty: 2 Medium
Topic: Macroenvironment
Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.
Bloom's: Understand
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Accessibility: Keyboard Navigation

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4) A more diverse workforce presents managers with challenges as well as opportunities.

Answer: TRUE
Explanation: A more diverse workforce has many advantages, but managers must make certain they provide equality for women and minorities with respect to employment, advancement opportunities, and compensation.
Difficulty: 2 Medium
Topic: Macroenvironment
Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.
Bloom's: Understand
AACSB: Diversity
Accessibility: Keyboard Navigation

5) According to Michael Porter's model, the competitive environment includes rivalry among current competitors and the impact of new entrants, substitute and complementary products, suppliers, and customers.

Answer: TRUE
Explanation: Michael Porter's model says that the competitive environment includes rivalry among current competitors and the impact of new entrants, substitute and complementary products, suppliers, and customers. According to Porter, successful managers do more than simply react to the environment; they act in ways that actually shape or change the organization's environment.
Difficulty: 2 Medium
Topic: Porter's Five Forces
Learning Objective: 02-04 Identify elements of the competitive environment.
Bloom's: Understand
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

6) Organizations are at an advantage if they depend on a single powerful supplier because such dependency ensures consistency.

Answer: FALSE
Explanation: Organizations are at a disadvantage if they become overly dependent on any powerful supplier. A supplier is powerful if the buyer has few other sources of supply or if the supplier has many other buyers.
Difficulty: 1 Easy
Topic: Competitive Environment
Learning Objective: 02-04 Identify elements of the competitive environment.
Bloom's: Remember
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

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7) Environmental uncertainty refers to the lack of information needed to understand or predict the future.

Answer: TRUE
Explanation: Environmental uncertainty refers to the lack of information needed to understand or predict the future.
Difficulty: 1 Easy
Topic: Environmental Uncertainty
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
Bloom's: Remember
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

8) Enrico has used environmental scanning to gather information that will help him make his company more competitive. This is an example of cognitive intelligence.

Answer: FALSE
Explanation: Competitive intelligence is the information that helps managers determine how to compete better. Using environmental scanning, managers develop competitive intelligence, the information necessary to decide how best to manage in the competitive environment they have identified.
Difficulty: 2 Medium
Topic: Environmental Scanning
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
Bloom's: Understand
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

9) April, a manager in a call center, encourages her employees to solve customers' problems without her approval of the particular situation. In this case, April is trying to empower her employees.

Answer: TRUE
Explanation: The process of sharing power with employees, thereby enhancing their confidence in their ability to perform their jobs and their belief that they are influential contributors to the organization is called empowerment.
Difficulty: 2 Medium
Topic: Empowerment
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
Bloom's: Apply
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10) A strong organization culture is one in which lower-level employees do not concern themselves with the firm's goals, priorities, and practices because management deals with those issues.

Answer: FALSE
Explanation: Cultures can be strong or weak; strong cultures can have great influence on how people think and behave. A strong culture is one in which everyone understands and believes in the firm's goals, priorities, and practices.
Difficulty: 2 Medium
Topic: Organizational Culture
Learning Objective: 02-07 Discuss how an organization's culture and climate affect its response to its external environment.
Bloom's: Understand
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

11) What term is used to describe all the relevant forces outside an organization's boundaries?
A) environmental scanning
B) competitive intelligence
C) external environment
D) competitive environment
E) organizational climate

Answer: C
Explanation: The term *external environment* means more than an organization's clients or customers. The external environment includes all relevant forces outside the organization's boundaries.
Difficulty: 1 Easy
Topic: External Environment
Learning Objective: 02-01 Describe how environmental forces influence organizations and how organizations can influence their environments.
Bloom's: Remember
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12) A firm's _____ includes its rivals, suppliers, customers, new entrants, substitutes, and complementary products.
A) environmental scanning
B) competitive intelligence
C) external environment
D) competitive environment
E) organizational climate

Answer: D
Explanation: An organization exists in its competitive environment, which is composed of the firm and its rivals, suppliers, customers (buyers), new entrants, and substitute or complementary products.
Difficulty: 1 Easy
Topic: Competitive Environment
Learning Objective: 02-01 Describe how environmental forces influence organizations and how organizations can influence their environments.
Bloom's: Remember
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

13) Bettie's Bags buys leather and lesser quantities of canvas, zippers, metal snaps, and other materials to manufacture purses. Which of the following is Bettie's Bags' output?
A) leather
B) canvas
C) zippers
D) snaps
E) purses

Answer: E
Explanation: Inputs are the goods and services organizations take in and use to create products or services. Outputs are the products and services organizations create.
Difficulty: 2 Medium
Topic: Outputs
Learning Objective: 02-01 Describe how environmental forces influence organizations and how organizations can influence their environments.
Bloom's: Apply
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14) Although a top executive team may have unique _____ strengths and ideas about its goals, it must consider _____ factors before taking action.
A) external; internal
B) internal; external
C) traditional; unconventional
D) unconventional; traditional
E) past; future

Answer: B
Explanation: All organizations operate in a macroenvironment, which is defined by the most general elements in the external environment that potentially can influence strategic decisions. Although a top executive team may have unique internal strengths and ideas about its goals, it must consider external factors before taking action.
Difficulty: 2 Medium
Topic: Macroenvironment
Learning Objective: 02-02 Distinguish between the macroenvironment and the competitive environment.
Bloom's: Understand
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

15) Which of the following statements about the impact of the stock market is true?
A) The stock market has little effect on the amount of capital a company has.
B) If a company exceeds its performance expectations, its stock price will often drop.
C) Publicly held companies are more insulated from the stock market than privately held companies.
D) The stock market may have a profound effect on the behavior of individual managers.
E) Stock market fluctuations have little effect on the compensation of managers.

Answer: D
Explanation: An important economic influence on a company is the stock market. When investors bid up stock prices, they are paying more to own shares in companies, which means the companies have more capital to fuel their strategies. The stock market can also have a profound effect on the behavior of individual managers. In publicly held companies, managers throughout the organization may feel required to meet the stock market's earnings expectations.
Difficulty: 2 Medium
Topic: Macroenvironment
Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.
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16) A failure to develop a strategy that incorporates _____ may doom a firm to obsolescence.
A) hierarchical bureaucracy
B) many layers of middle management
C) classic production methods
D) technological advances
E) closed communication systems

Answer: D
Explanation: Today a company cannot succeed without incorporating into its strategy the astonishing technologies that exist and continue to evolve. Technological advances create new products, advanced production techniques, and better ways of managing and communicating.
Difficulty: 2 Medium
Topic: Technology
Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.
Bloom's: Understand
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

17) Which of the following is a U.S. government policy or action that is most likely to provide an opportunity for businesses?
A) deductions in the tax code
B) fines on heavy polluters
C) laws against bribing officials
D) court rulings against monopolies
E) failure to rule a new product as safe

Answer: A
Explanation: U.S. government policies impose strategic constraints on organizations but may also provide opportunities. The government can affect business opportunities through tax laws, economic policies, and international trade rulings. An example of restraint on business action is the U.S. government's standards regarding bribery.
Difficulty: 3 Hard
Topic: Macroenvironment
Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.
Bloom's: Analyze
AACSB: Analytical Thinking
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18) U.S. government policies impose strategic constraints on business organizations, such as the requirement that businesses with 50 or more full-time employees offer health insurance. Juan is the manager of a small factory with 75 employees. Juan sees these government regulations and laws as a detriment to his business and its profitability. What is Juan missing in his assessment of government regulations and laws and their impact on his business?
A) The law is changing every day and may increase the size of businesses required to provide health insurance.
B) The health insurance requirement is likely to increase labor costs.
C) The health insurance requirement can be used strategically when recruiting and retaining talent.
D) Giving more generous benefits lowers the cost of compensating employees.
E) Bribes and kickbacks are illegal practices in the United States.

Answer: C
Explanation: U.S. government policies impose strategic constraints on organizations but may also provide opportunities. The requirement requiring businesses with 50 or more full-time employees to offer health insurance is likely to increase an employer's labor costs, but it can also be used more strategically than competitors when recruiting and retaining talent.
Difficulty: 3 Hard
Topic: Macroenvironment
Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.
Bloom's: Analyze
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

19) What are demographics?
A) trends regarding how the people within a society think and behave
B) conditions that prevent new companies from entering an industry
C) measures of various characteristics of the people who make up social units
D) the fixed costs that buyers face if they change suppliers
E) the lack of information needed to understand or predict the future

Answer: C
Explanation: Demographics are measures of various characteristics of the people who make up groups or other social units. Work groups, organizations, countries, markets, and societies can be described statistically by referring to demographic measures, such as their members' age, gender, family size, income, education, and occupation.
Difficulty: 1 Easy
Topic: Demographics
Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.
Bloom's: Remember
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20) How is immigration affecting U.S. demographics?
A) It is increasing the diversity of the workforce.
B) It is decreasing the number of workers.
C) It is decreasing the number of consumers.
D) It is making the educational levels of the workforce more similar.
E) It is decreasing the amount of paperwork needed to hire workers.

Answer: A
Explanation: A factor that significantly influences the U.S. population and labor force is immigration. Immigration is one reason the labor force continues to become more ethnically diverse. The biggest percentage employment increases will be by Hispanics and Asian Americans, followed by African Americans.
Difficulty: 2 Medium
Topic: Demographics
Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.
Bloom's: Understand
AACSB: Diversity
Accessibility: Keyboard Navigation

21) Which of the following was introduced as the result of an evolving societal trend?
A) shares of stock
B) hourly wages
C) levels of management
D) offshoring
E) family leave

Answer: E
Explanation: Societal trends regarding how people think and behave have major implications for management of the labor force, corporate social actions, and strategic decisions about products and markets. For example, today more women are having children and then returning to the workforce. As a result, companies have introduced more supportive policies, including family leave, flexible working hours, and child care assistance.
Difficulty: 2 Medium
Topic: Macroenvironment
Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.
Bloom's: Understand
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

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22) Which of the following was designed to help managers analyze the competitive environment and adapt to or even influence the nature of competition?
A) Dell's IdeaStorm
B) Michael Porter's model
C) B2B selling
D) Peter Drucker's theory
E) organizational smoothing

Answer: B
Explanation: Michael Porter's model says that the competitive environment includes rivalry among current competitors and the impact of new entrants, substitute and complementary products, suppliers, and customers. According to Porter, successful managers do more than simply react to the environment; they act in ways that actually shape or change the organization's environment.
Difficulty: 2 Medium
Topic: Porter's Five Forces
Learning Objective: 02-04 Identify elements of the competitive environment.
Bloom's: Understand
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

23) Which of the following is a barrier to entry?
A) consumer demand for a product
B) brand identification
C) the existence of a popular complement
D) a low-cost distribution method
E) an inexpensive production process

Answer: B
Explanation: Barriers to entry are conditions that prevent new companies from entering an industry. Some major barriers to entry are government policy, capital requirements, brand identification, cost disadvantages, and distribution channels.
Difficulty: 2 Medium
Topic: Barriers to Entry
Learning Objective: 02-04 Identify elements of the competitive environment.
Bloom's: Understand
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Accessibility: Keyboard Navigation

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24) Karl's office has always used Bentley computers. His technical people have suggested that he switch all his employees over to Best computers. Karl is reluctant because it will mean not only replacing all the computers but also buying all new software and taking the time to train everyone. Karl is worried about
A) barriers to entry.
B) benchmarking.
C) environmental uncertainty.
D) switching costs.
E) strategic maneuvering.

Answer: D
Explanation: Dependence on suppliers results from high switching costs—the fixed costs buyers face if they change suppliers. For example, once a buyer learns how to operate a supplier's equipment, such as computer software, the buyer faces both economic and psychological costs in changing to a new supplier.
Difficulty: 3 Hard
Topic: Competitive Environment
Learning Objective: 02-04 Identify elements of the competitive environment.
Bloom's: Analyze
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

25) Supply chain management refers to the
A) search for information that is unavailable to most people and the process of interpreting what is important and what is not.
B) identification of the best-in-class performance by a company in a given area and the comparison of your processes to the company's processes.
C) procedure of sharing power with employees, thereby enhancing their confidence and their belief that they are influential contributors to the organization.
D) creation of new products, advanced production techniques, and better ways of managing and communicating.
E) managing of the network of facilities and people that obtain raw materials, transform them into products, and distribute them to customers.

Answer: E
Explanation: Supply chain management is the managing of the entire network of facilities and people that obtain raw materials from outside the organization, transform them into products, and distribute them to customers.
Difficulty: 1 Easy
Topic: Competitive Environment
Learning Objective: 02-04 Identify elements of the competitive environment.
Bloom's: Remember
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

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26) The goal of _____ is having the right product in the right quantity at the right place at the right cost.
A) barriers to entry
B) benchmarking
C) supply chain management
D) empowerment
E) open systems

Answer: C
Explanation: Today the goal of effective supply chain management is to have the right product in the right quantity available at the right place at the right cost. In recent years, supply chain management has become an increasingly important contributor to a company's competitiveness and profitability.
Difficulty: 2 Medium
Topic: Competitive Environment
Learning Objective: 02-04 Identify elements of the competitive environment.
Bloom's: Understand
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

27) Tomiko is the manager of Davis Freight, a mid-sized trucking company. The owners have assigned Tomiko the task of applying strategic decision making to analyze the competitive environment. Tomiko does an analysis of the competitors currently in the market and how much market share each has. In addition, Tomiko looks at trends in the trucking industry and how Davis has addressed those trends. Tomiko assesses the possibility of new entrants to the market, factoring in barriers to entry in the trucking business. In addition, Tomiko studies substitutes and complements, as well as suppliers and customers. Is Tomiko covering all of her bases in assessing the competitive environment?
A) Tomiko has covered the bases necessary for her analysis and is ready to present it.
B) Tomiko failed to consider the impact of capital requirements and brand identification.
C) Tomiko needs to include an assessment of the tactics other companies use to compete.
D) Tomiko should look at the impact of both cost disadvantages and distribution channels.
E) Tomiko should not consider the impact trends in the industry as part of her assessment.

Answer: C
Explanation: All managers are affected by the components of the macroenvironment. The competitive environment includes rivalries among current competitors and the impact of new entrants, substitute and complementary products, suppliers and customers. After identifying competitors, the next step is to analyze how they compete, but Tomiko neglected this step.
Difficulty: 3 Hard
Topic: Competitive Environment
Learning Objective: 02-04 Identify elements of the competitive environment.
Bloom's: Apply
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

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28) _____ means searching for and sorting through information about the environment.
A) Environmental uncertainty
B) Competitive intelligence
C) Domain selection
D) Environmental scanning
E) Strategic maneuvering

Answer: D
Explanation: Environmental scanning means both searching out information that is unavailable to most people and sorting through that information to interpret what is and is not important.
Difficulty: 1 Easy
Topic: Environmental Scanning
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
Bloom's: Remember
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

29) A human resources manager is considering changing her company's vacation policy. Before she makes a proposal to the senior executive team, she researches the vacation policies of other leading companies in her industry. This is an example of
A) benchmarking.
B) demographics.
C) inputs.
D) buffering.
E) smoothing.

Answer: A
Explanation: Benchmarking means identifying the best-in-class performance by a company in a given area, such as product development or customer service, and then comparing your processes to that company's processes. To accomplish this, a benchmarking team would collect information on its own company's operations and those of the other firm to determine gaps.
Difficulty: 2 Medium
Topic: Benchmarking
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
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30) What is the purpose of benchmarking?
A) to save money
B) to reduce the workforce
C) to adopt best practices
D) to expand internationally
E) to diversify products

Answer: C
Explanation: Benchmarking means identifying the best-in-class performance by a company in a given area, such as product development or customer service, and then comparing your processes to that company's processes. To accomplish this, a benchmarking team would collect information on its own company's operations and those of the other firm to determine gaps. Ultimately, the team would map out a set of best practices that lead to world-class performance.
Difficulty: 2 Medium
Topic: Benchmarking
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
Bloom's: Understand
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

31) Diversified Industries decides to use the expertise it has from its canned-pet-food division and its health-food division to enter the fast-growing market for fresh, natural pet foods. This is an example of
A) diversification.
B) benchmarking.
C) a merger.
D) domain selection.
E) an acquisition.

Answer: D
Explanation: Domain selection is the entrance by a company into another suitable market or industry. For example, the market may have limited competition or regulation, ample suppliers and customers, or high growth.
Difficulty: 3 Hard
Topic: Domain Selection
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
Bloom's: Analyze
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32) Which of the following is said to occur when two or more firms combine?
A) an acquisition
B) a takeover
C) a merger
D) diversification
E) downsizing

Answer: C
Explanation: A merger occurs when two or more companies combine.
Difficulty: 1 Easy
Topic: Environmental Analysis
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
Bloom's: Remember
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

33) Which of the following is the best description of organizational culture?
A) conditions that prevent new companies from entering an industry
B) the network that obtains raw materials, transforms them into products, and distributes them to customers
C) the process of searching out information that is unavailable to most people and sorting through it to interpret what is important and what is not
D) the process of comparing an organization's practices and technologies with those of other companies
E) a system of shared values about what is important and beliefs about how the world works

Answer: E
Explanation: The organization culture is the set of important assumptions about the organization and its goals and the practices that members of the company share. It is a system of shared values about what is important and beliefs about how the world works.
Difficulty: 1 Easy
Topic: Organizational Culture
Learning Objective: 02-06 Define elements of an organization's culture.
Bloom's: Remember
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34) Which of the following would be a sign of a weak organizational culture?
A) Everyone knows the organization's goals.
B) Everyone understands how things are done.
C) Everyone believes in the company's mission.
D) Everyone uses a rulebook to decide what to do.
E) Everyone helps new employees fit in.

Answer: D
Explanation: Cultures can be strong or weak; strong cultures can have great influence on how people think and behave. A strong culture is one in which everyone understands and believes in the firm's goals, priorities, and practices. Employees in such companies don't need rule books to dictate how they act because these behaviors are conveyed as "the way we do things around here."
Difficulty: 3 Hard
Topic: Organizational Culture
Learning Objective: 02-07 Discuss how an organization's culture and climate affect its response to its external environment.
Bloom's: Analyze
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

35) Corporate mission statements, business practices, symbols and ceremonies, and the stories people tell can all give clues to
A) organizational climate.
B) organizational culture.
C) competitive environment.
D) external environment.
E) macroenvironment.

Answer: B
Explanation: Corporate mission statements, business practices, symbols and ceremonies, and the stories people tell can all give clues to organizational culture.
Difficulty: 2 Medium
Topic: Organizational Culture
Learning Objective: 02-07 Discuss how an organization's culture and climate affect its response to its external environment.
Bloom's: Understand
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36) In comparison to organizational culture, organizational climate
A) is more deeply held.
B) is based on values rather than attitudes.
C) does not have a discernible pattern.
D) can be measured more readily.
E) is less easy to manage.

Answer: D
Explanation: Organizational climate consists of the patterns of attitudes and behavior that shape people's experience of an organization. In contrast to a culture's deeply held beliefs, values, and so on, an organization's climate can be measured more readily.
Difficulty: 2 Medium
Topic: Organizational Culture
Learning Objective: 02-07 Discuss how an organization's culture and climate affect its response to its external environment.
Bloom's: Understand
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

37) Organizational climate consists of the patterns of _____ that shape people's experience of an organization.
A) attitudes and behavior
B) demographic characteristics
C) deeply held beliefs and values
D) inputs and outputs
E) buffering and smoothing

Answer: A
Explanation: Organizational climate consists of the patterns of attitudes and behavior that shape people's experience of an organization. In contrast to a culture's deeply held beliefs, values, and so on, an organization's climate can be measured more readily.
Difficulty: 1 Easy
Topic: Organizational Culture
Learning Objective: 02-07 Discuss how an organization's culture and climate affect its response to its external environment.
Bloom's: Remember
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38) Organizations are _____ systems, which means that they are affected by and in turn affect their external environments.
A) input
B) output
C) open
D) closed
E) social

Answer: C
Explanation: Organizations are open systems; that is, they are affected by and in turn affect their external environments. For example, they take in inputs from their environment and use them to create products and services that are outputs to their environment.
Difficulty: 1 Easy
Topic: Open Systems
Learning Objective: 02-01 Describe how environmental forces influence organizations and how organizations can influence their environments.
Bloom's: Remember
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

39) Haru, a new manager at an electronics company, has been asked to focus on the competitive environment of the organization. Which of the following is a factor Haru should focus on?
A) government regulation
B) economic performance
C) demographics
D) rivals
E) technology

Answer: D
Explanation: The competitive environment is composed of the firm and its rivals, suppliers, customers (buyers), new entrants, and substitute or complementary products. At the more general level is the macroenvironment, which includes legal, political, economic, technological, demographic, and social and natural factors that generally affect all organizations.
Difficulty: 2 Medium
Topic: Competitive Environment
Learning Objective: 02-01 Describe how environmental forces influence organizations and how organizations can influence their environments.
Bloom's: Apply
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40) The immediate environment surrounding a firm is known as its
A) macroenvironment.
B) demographic environment.
C) competitive environment.
D) internal environment.
E) economic environment.

Answer: C
Explanation: Competitive environment is the immediate environment surrounding a firm; it includes suppliers, customers, rivals, and the like.
Difficulty: 1 Easy
Topic: Competitive Environment
Learning Objective: 02-01 Describe how environmental forces influence organizations and how organizations can influence their environments.
Bloom's: Remember
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

41) _____ lead to new products, advanced production facilities, and better ways of managing and communicating.
A) Demographic shifts
B) Societal preferences
C) Political changes
D) Technological advances
E) Economic turbulences

Answer: D
Explanation: Technological advances create new products, advanced production techniques, and better ways of managing and communicating. In addition, as technology evolves, new industries, markets, and competitive niches develop.
Difficulty: 2 Medium
Topic: Technology Life Cycle
Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.
Bloom's: Understand
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42) Advances in 3-D printing have made it easier and faster for manufacturers to create prototypes of new parts. These advances are an example of changes in the _____ environment.
A) technological
B) economic
C) political
D) demographic
E) biophysical

Answer: A
Explanation: Technological advances create new products, advanced production techniques, and better ways of managing and communicating. In addition, as technology evolves, new industries, markets, and competitive niches develop.
Difficulty: 3 Hard
Topic: Technology Life Cycle
Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.
Bloom's: Analyze
AACSB: Technology
Accessibility: Keyboard Navigation

43) Using bribery as a business tactic may result in fines for U.S. firms. Which of the following types of environmental forces at work does this reflect?
A) competitive
B) economic
C) legal
D) technological
E) demographic

Answer: C
Explanation: An example of laws and regulations in the macroenvironment is the U.S. government's standards regarding bribery. In some countries, bribes and kickbacks are common and expected ways of doing business, but for U.S. firms they are illegal practices.
Difficulty: 2 Medium
Topic: Macroenvironment
Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.
Bloom's: Understand
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44) _____ are specific government organizations in a firm's more immediate task environment.
A) Open systems
B) Regulators
C) Prospectors
D) Stakeholders
E) Defenders

Answer: B
Explanation: Regulators are specific government organizations in a firm's more immediate task environment. Regulatory agencies have the power to investigate company practices and take legal action to ensure compliance with laws. The Securities and Exchange Commission is a regulatory agency.
Difficulty: 1 Easy
Topic: Macroenvironment
Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.
Bloom's: Remember
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

45) _____ are measures of various characteristics of the people who make up groups or other social units.
A) Psychographics
B) Demographics
C) Domain selections
D) Lifestyle analytics
E) Group dynamics

Answer: B
Explanation: Demographics are measures of various characteristics of the people who make up groups or other social units. Work groups, organizations, countries, markets, and societies can be described statistically by referring to demographic measures such as their members' age, gender, family size, income, education, occupation, and so forth.
Difficulty: 1 Easy
Topic: Macroenvironment
Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.
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46) The recent legalization of same-sex marriage has major implications for how companies manage their labor force. For example, companies must now make sure their benefit packages include all types of family structures. This is an example of how _____ trends affect businesses.
A) psychological
B) political
C) economic
D) technological
E) societal

Answer: E
Explanation: Societal trends regarding how people think and behave have major implications for management of the labor force, corporate social actions, and strategic decisions about products and markets. How companies respond to societal trends may affect their reputation in the marketplace.
Difficulty: 3 Hard
Topic: Macroenvironment
Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.
Bloom's: Analyze
AACSB: Analytical Thinking
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47) Which of the following is an element of Michael Porter's model for analyzing the competitive environment of an organization?
A) substitutes
B) cost strategy
C) societal trends
D) regulatory forces
E) demographics

Answer: A
Explanation: According to Michael Porter's model, the competitive environment of an organization includes rivalry among current competitors and the impact of new entrants, substitute and complementary products, suppliers, and customers.
Difficulty: 1 Easy
Topic: Porter's Five Forces
Learning Objective: 02-04 Identify elements of the competitive environment.
Bloom's: Remember
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48) A firm's current competition, suppliers, customers, and the threat of new entrants or of substitutes are all elements in the
A) task environment.
B) Peter's model for organizational excellence.
C) microenvironment.
D) Porter's model for competitive environment.
E) supply chain management.

Answer: D
Explanation: Michael Porter's model of the competitive environment includes rivalry among current competitors and the impact of new entrants, substitute and complementary products, suppliers, and customers.
Difficulty: 1 Easy
Topic: Porter's Five Forces
Learning Objective: 02-04 Identify elements of the competitive environment.
Bloom's: Remember
AACSB: Knowledge Application
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49) Venus was a low-cost airline that operated in the 1990s. Industry analysts state that although Venus was able to provide all the services the customers wanted, it was thrown out of business because of aggressive pricing from larger airline firms. Which of the following aspects of the competitive environment does this scenario illustrate?
A) customers
B) rivals
C) regulators
D) the economy
E) social trends

Answer: B
Explanation: The competitive environment includes rivalry among current competitors and the impact of new entrants, substitute and complementary products, suppliers, and customers. In this scenario, the larger airlines constitute the rivals of Venus. The competitive environment is composed in part of rival firms such as the larger airlines in this example.
Difficulty: 3 Hard
Topic: Competitive Environment
Learning Objective: 02-04 Identify elements of the competitive environment.
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50) Conditions that may prevent new firms from entering an industry are referred to as
A) barriers to entry.
B) strategic maneuvers.
C) unfair trade practices.
D) industry regulators.
E) entry inhibitors.

Answer: A
Explanation: Barriers to entry are conditions that prevent new companies from entering an industry. Patents are an example of a barrier to entry.
Difficulty: 1 Easy
Topic: Barriers to Entry
Learning Objective: 02-04 Identify elements of the competitive environment.
Bloom's: Remember
AACSB: Knowledge Application
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51) Hospitals and universities are very expensive to run, not only due to the capital equipment that is required for each but also due to the personnel, such as specialized medical doctors and researchers. The cost of these types of institutions is an example of
A) a barrier to entry.
B) environmental uncertainty.
C) unfair competition.
D) high switching costs.
E) strategic maneuvering.

Answer: A
Explanation: Barriers to entry are conditions that prevent new companies from entering an industry. In this case, the industries are medicine and education, and the equipment and personnel are extremely expensive and perhaps scarce, leading to barriers to entry.
Difficulty: 3 Hard
Topic: Barriers to Entry
Learning Objective: 02-04 Identify elements of the competitive environment.
Bloom's: Analyze
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52) A(n) _____ is a potential threat; customers use it as an alternative, buying less of one kind of product but more of another.
A) new entrant
B) substitute
C) ensemble
D) divestiture
E) complement

Answer: B
Explanation: A substitute is a potential threat; customers use it as an alternative, buying less of one kind of product but more of another. A complement is a potential opportunity because customers buy more of a given product if they also demand more of the complementary product.
Difficulty: 1 Easy
Topic: Competitive Environment
Learning Objective: 02-04 Identify elements of the competitive environment.
Bloom's: Remember
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

53) If many factors prevent new companies from entering an industry, the
A) threat of new entrants is more serious.
B) threat of competitive rivalry is high.
C) threat to established firms is less serious.
D) new companies can easily compete with the established ones.
E) industry is said to have just a few barriers to entry.

Answer: C
Explanation: If many factors prevent new companies from entering an industry, the threat to established firms is less serious. If there are few such barriers to entry, the threat of new entrants is more serious.
Difficulty: 2 Medium
Topic: Barriers to Entry
Learning Objective: 02-04 Identify elements of the competitive environment.
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54) Which of the following is an example of a potential substitute product?
A) salsa for ketchup
B) ink cartridges for printers
C) socks for shoes
D) iTunes for iPods
E) furniture for apartments

Answer: A
Explanation: A substitute is a potential threat; customers use it as an alternative, buying less of one kind of product but more of another. Margarine is a substitute for butter, where customers can use it as an alternative. The remaining choices are examples of complements.
Difficulty: 2 Medium
Topic: Competitive Environment
Learning Objective: 02-04 Identify elements of the competitive environment.
Bloom's: Apply
AACSB: Knowledge Application
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55) Organizations must acquire a variety of resources in order to produce a product or service of value. These resources may include materials, equipment, financing, or even employees. The sources that provide these various resources are referred to as
A) shareholders.
B) regulators.
C) retailers.
D) suppliers.
E) prospectors.

Answer: D
Explanation: Organizations must acquire resources (inputs) from their environment and convert them into products or services (outputs) to sell. Suppliers provide resources needed for production in the form of people (trade schools and universities), raw materials (producers, wholesalers, and distributors), information (researchers and consulting firms), and financial capital (banks).
Difficulty: 1 Easy
Topic: Competitive Environment
Learning Objective: 02-04 Identify elements of the competitive environment.
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56) _____ costs are fixed costs buyers face if they change suppliers.
A) Changing
B) Switching
C) Renewable
D) Exchange
E) Sunk

Answer: B
Explanation: Dependence on suppliers can result from high switching costs—the fixed costs buyers face if they change suppliers.
Difficulty: 1 Easy
Topic: Barriers to Entry
Learning Objective: 02-04 Identify elements of the competitive environment.
Bloom's: Remember
AACSB: Knowledge Application
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57) Loyalty Management Consulting uses the services of QuickBite, which runs the employee cafeteria in the building and also caters business meetings at a discounted rate because of the volume of business it does with Loyalty. The other available cafeteria services do not provide catering. In this case, if Loyalty decides to terminate QuickBite's contract and shift to some other service, it is likely to create
A) high employment costs.
B) redemption costs.
C) favorable quality status.
D) complementary products.
E) high switching costs.

Answer: E
Explanation: Switching costs are fixed costs buyers face if they change suppliers. In this case, if Loyalty terminates QuickBite and hires a new service, Loyalty would incur high switching costs, because it would have to hire a separate caterer at nondiscounted rates.
Difficulty: 2 Medium
Topic: Competitive Environment
Learning Objective: 02-04 Identify elements of the competitive environment.
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58) _____ refers to management of the network of facilities and people that obtain materials from the outside, transform them into products, and distribute the products to customers.
A) Inventory management
B) Strategic maneuvering
C) Human resource management
D) Customer service
E) Supply chain management

Answer: E
Explanation: Supply chain management refers to managing the entire network of facilities and people that obtain raw materials from outside the organization, transform them into products, and distribute them to customers. In recent years, supply chain management has become an increasingly important contributor to a company's competitiveness and profitability.
Difficulty: 1 Easy
Topic: Competitive Environment
Learning Objective: 02-04 Identify elements of the competitive environment.
Bloom's: Remember
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

59) A customer who purchases raw materials or wholesale products before selling them to other parties is known as a(n)
A) final purchaser.
B) intermediate consumer.
C) final customer.
D) first-tier supplier.
E) preliminary customer.

Answer: B
Explanation: Intermediate consumers buy raw materials or wholesale products and then sell to final consumers, as when Lenovo, Dell, and Hewlett Packard buy processors from Intel to use in their laptop computers.
Difficulty: 1 Easy
Topic: Competitive Environment
Learning Objective: 02-04 Identify elements of the competitive environment.
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60) The main difference between a final consumer and an intermediate consumer is that
A) the intermediate consumer purchases finished products, whereas the final consumer buys only raw materials.
B) intermediate consumers buy raw materials and sell finished products to final consumers, who use them.
C) final consumers make more purchases than the intermediate consumers.
D) unlike final consumers, intermediate consumers provide monetary benefits to organizations by purchasing their products.
E) final consumers tend to have more bargaining power than intermediate consumers.

Answer: B
Explanation: Intermediate consumers buy raw materials or wholesale products and then sell to final consumers, as when Lenovo, Dell, and Hewlett Packard buy processors from Intel to use in their laptop computers. A final consumer is a customer who purchases products in their finished form.
Difficulty: 2 Medium
Topic: Competitive Environment
Learning Objective: 02-04 Identify elements of the competitive environment.
Bloom's: Understand
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

61) Giving consumers what they want or need, the way they want it, the first time is known as
A) planned merchandise.
B) planned obsolescence.
C) customer service.
D) cause marketing.
E) operations management.

Answer: C
Explanation: Customer service means giving customers what they want or need, the way they want it, the first time. This usually depends on the speed and dependability with which an organization can deliver its products.
Difficulty: 1 Easy
Topic: Competitive Environment
Learning Objective: 02-04 Identify elements of the competitive environment.
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62) Environmental _____ refers to the degree of discontinuous change that occurs within the industry.
A) complexity
B) dysfunction
C) contracting
D) cooptation
E) dynamism

Answer: E
Explanation: Environmental dynamism refers to the degree of discontinuous change that occurs within the industry. High-growth industries with products and technologies that change rapidly tend to be more uncertain than stable industries where change is less dramatic and more predictable.
Difficulty: 1 Easy
Topic: Organizational Environment
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
Bloom's: Remember
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

63) The managers at Green Thumb Gardening Tools engage in an annual organizational assessment, trying to predict industry changes as well as possible opportunities and threats. They look at issues, such as who their competitors are, current entry barriers, and what substitutes exist for their products. This assessment is called
A) scenario development.
B) forecasting.
C) benchmarking.
D) environmental scanning.
E) strategic maneuvering.

Answer: D
Explanation: Environmental scanning means both searching out information that is unavailable to most people and sorting through that information to interpret what is important and what is not. Managers ask questions such as these: "Who are our current competitors?" "Are there few or many entry barriers to our industry?" and "What substitutes exist for our product or service?"
Difficulty: 2 Medium
Topic: Environmental Scanning
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
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64) An outcome of environmental scanning is _____, which is the information necessary to decide how best to manage in a given competitive environment.
A) corporate governance
B) strategic vision
C) competitive intelligence
D) corporate espionage
E) competitive dissertation

Answer: C
Explanation: Answers to environmental scanning questions help managers develop competitive intelligence, the information necessary to decide how best to manage in the competitive environment they have identified.
Difficulty: 1 Easy
Topic: Environmental Scanning
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
Bloom's: Remember
AACSB: Knowledge Application
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65) Nargis writes a narrative that describes what she thinks will happen to her child-care business if the trend of flexible hours for corporate employees continues to grow. This narrative is an example of
A) benchmarking.
B) a scenario.
C) strategic maneuvering.
D) a divestiture.
E) strategic vision.

Answer: B
Explanation: As managers attempt to determine the effect of environmental forces on their organizations, they frequently develop scenarios of the future. A scenario is a narrative that describes a particular set of future conditions.
Difficulty: 2 Medium
Topic: Environmental Scanning
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
Bloom's: Apply
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66) _____ create alternative combinations of different factors into a total picture of the environment and a firm.
A) Scenarios
B) Forecasts
C) Benchmarks
D) Competitive intelligences
E) Strategic maneuvers

Answer: A
Explanation: As managers attempt to determine the effect of environmental forces on their organizations, they frequently develop scenarios of the future. Scenarios create alternative combinations of different factors into a total picture of the environment and the firm.
Difficulty: 1 Easy
Topic: Organizational Environment
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
Bloom's: Remember
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

67) Which of the following combinations can result in a best-case scenario?
A) many competitors, high threat with and few entry barriers, and few customers
B) many competitors, high threat with and few entry barriers, and many customers
C) few entry barriers, many substitutes, and many customers
D) high industry growth, low threat with and many entry barriers, and customers with low bargaining power
E) low industry growth, high threat with and few entry barriers, and suppliers with low bargaining power

Answer: D
Explanation: High industry growth, many barriers to entry, and a situation where customers have low bargaining power are all events that are favorable to a firm and therefore can be considered as a best-case scenario.
Difficulty: 3 Hard
Topic: Organizational Environment
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
Bloom's: Analyze
AACSB: Analytical Thinking
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68) The method for predicting how variables will change in the future is known as
A) budgeting.
B) buffering.
C) forecasting.
D) benchmarking.
E) scanning.

Answer: C
Explanation: Forecasting is used to predict exactly how some variable or variables will change in the future. For example, in making capital investments, firms may try to forecast how interest rates will change.
Difficulty: 1 Easy
Topic: Forecast
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
Bloom's: Remember
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

69) Which of the following is true about using forecasts?
A) Multiple forecasts are best, and their predictions can be averaged.
B) Forecasts become more accurate when predicting further into the future.
C) Forecasts are useless when the future will look radically different from the past.
D) The more complex the forecast, the more accurate are the predictions.
E) The accuracy of forecasts does not vary from one application to another.

Answer: A
Explanation: Forecasting is a method for predicting how some variable or variables will change in the future. The best advice for using forecasts includes using multiple forecasts and averaging their predictions.
Difficulty: 2 Medium
Topic: Forecast
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
Bloom's: Understand
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70) Mila, who works as a manager for a manufacturing company, investigates what computer programs her company's five biggest rivals use for placing and tracking customer orders. She then compares the features of those programs with the program her company uses. What process has Mila used?
A) scenario planning
B) forecasting
C) benchmarking
D) environmental scanning
E) strategic maneuvering

Answer: C
Explanation: Benchmarking refers to the process of comparing an organization's practices and technologies with those of other companies. To accomplish this, a benchmarking team would collect information on its own company's operations and those of the other firm to determine gaps.
Difficulty: 2 Medium
Topic: Benchmarking
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
Bloom's: Apply
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

71) To improve customer service in its overseas call center, Bell Software decided to investigate the call center practices of competing companies. The team discovered that a smaller company, Bumblebee Software Inc., seemed to have outstanding customer service. The team then determined differences between the organizations and developed a plan to incorporate the best elements of Bumblebee into Bell. This illustrates
A) environmental dynamism.
B) benchmarking.
C) strategic maneuvering.
D) cooperative action.
E) forecasting.

Answer: B
Explanation: Benchmarking refers to the process of comparing an organization's practices and technologies with those of other companies. To accomplish this, a benchmarking team would collect information on its own company's operations and those of the other firm to determine gaps.
Difficulty: 2 Medium
Topic: Benchmarking
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
Bloom's: Apply
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72) Domain selection, diversification, mergers/acquisitions, and divestiture are all examples of
A) illegal boundary management.
B) maneuvering the competition.
C) strategic maneuvering.
D) independent strategies.
E) portfolio maneuvering.

Answer: C
Explanation: Strategic maneuvering is an organization's conscious efforts to change the boundaries of its task environment. Managers can use several strategic maneuvers, including domain selection, diversification, merger and acquisition, and divestiture.
Difficulty: 2 Medium
Topic: External Environment
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
Bloom's: Understand
AACSB: Knowledge Application
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73) _____ occurs when a firm invests in different types of businesses or products or when it expands geographically to reduce its dependence on a single market or technology.
A) Domain selection
B) Diversification
C) Acquisition
D) Divestiture
E) Empowerment

Answer: B
Explanation: Diversification occurs when a firm invests in different types of businesses or products or when it expands geographically to reduce its dependence on a single market or technology. Apple successfully diversified its product line when it added the iPod, iTouch, iPad, and iPhone to its offerings of personal computers.
Difficulty: 1 Easy
Topic: Diversification
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
Bloom's: Remember
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74) The entrance by a company into another market or industry for which it has an existing expertise is called
A) benchmarking.
B) strategic positioning.
C) outsourcing.
D) domain selection.
E) cooptation.

Answer: D
Explanation: Domain selection is the entrance by a company with an existing expertise into another suitable market or industry. For example, the market may have limited competition or regulation, ample suppliers and customers, or high growth.
Difficulty: 1 Easy
Topic: Domain Selection
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
Bloom's: Remember
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

75) One firm buying another is called a(n)
A) merger.
B) acquisition.
C) divestiture.
D) prospective.
E) defender.

Answer: B
Explanation: An acquisition is one firm buying another. Acquisitions can offer greater efficiency from combined operations or can give companies relatively quick access to new markets or industries.
Difficulty: 1 Easy
Topic: External Environment
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
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76) Complete Office Products recently announced that it was selling off its office furniture division in order to realign itself more competitively in the marketing of its other products, particularly those in its office supplies and technology divisions. Which of the following strategic maneuvers is illustrated in this scenario?
A) diversification
B) an acquisition
C) a merger
D) divestiture
E) domain selection

Answer: D
Explanation: Divestiture occurs when a firm sells one or more of its businesses. In the given scenario, Complete Office Products selling its furniture division is an example of divestiture.
Difficulty: 3 Hard
Topic: Divestiture
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
Bloom's: Analyze
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

77) Two general types of proactive strategies for influencing an organization's environment are
A) dependent strategies and independent strategies.
B) independent action and cooperative action.
C) cooperative strategies and strategic maneuvering.
D) strategic maneuvering and dependent strategies.
E) independent action and strategic maneuvering.

Answer: B
Explanation: Managers and organizations can develop proactive responses aimed at changing the environment. Two general types of proactive responses are independent action and cooperative action.
Difficulty: 1 Easy
Topic: External Environment
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
Bloom's: Remember
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78) _____ strategies are used by an organization acting on its own to change some aspect of its current environment.
A) Flexible
B) Buffering
C) Independent
D) Smoothing
E) Cooperative

Answer: C
Explanation: Two general types of proactive responses are independent action and cooperative action. A company uses independent strategies when it acts on its own to change some aspect of its current environment.
Difficulty: 1 Easy
Topic: External Environment
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
Bloom's: Remember
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79) Titan and Spencer-Fields are the two leading online booksellers. Recently, Titan engaged in an online price war with Spencer-Fields in order to gain greater market share. This is an example of _____ on the part of Titan.
A) cooptation
B) voluntary action
C) competitive pacification
D) competitive aggression
E) environmental scanning

Answer: D
Explanation: Competitive aggression is exploiting a distinctive competence (such as Southwest Airlines cutting fares when it enters a new market) or improving internal efficiency for competitive advantage. Examples include aggressive pricing and comparative advertising.
Difficulty: 2 Medium
Topic: Competitive Environment
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
Bloom's: Apply
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80) Aunt Lucy's Style is a company that sells different types of costume jewelry. When Aunt Lucy's Style spends its own money to promote the costume jewelry industry as a whole, the company is practicing
A) competitive aggression.
B) competitive pacification.
C) public relations.
D) voluntary cooptation.
E) comparative action.

Answer: B
Explanation: Competitive pacification is an independent action to improve relations with competitors, such as Aunt Lucy's promotion of the costume jewelry industry as a whole.
Difficulty: 2 Medium
Topic: Competitive Environment
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
Bloom's: Apply
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

81) When a brand advertises its products as being superior to that of its competitors, it is demonstrating
A) competitive aggression.
B) competitive pacification.
C) benchmarking.
D) political action.
E) cooptation.

Answer: A
Explanation: Competitive aggression is exploiting a distinctive competence or improving internal efficiency for competitive advantage. Aggressive pricing and comparative advertising are examples of competitive aggression.
Difficulty: 2 Medium
Topic: Competitive Environment
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
Bloom's: Understand
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82) When two or more companies work together to manage their external environment, they are using
A) monopolistic strategies.
B) strategic maneuvering.
C) cooperative strategies.
D) dependent strategies.
E) competitive strategies.

Answer: C
Explanation: In some situations, two or more organizations work together to influence the environment. This is referred to as cooperative strategy. These strategies include cooptation, coalition, and contraction.
Difficulty: 1 Easy
Topic: External Environment
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
Bloom's: Remember
AACSB: Knowledge Application
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83) Quartermaine University has just formed a board of trustees and invited 25 of its wealthiest alumni to join. In this example, Quartermaine University is demonstrating
A) contraction.
B) cooptation.
C) coalition.
D) political action.
E) voluntary action.

Answer: B
Explanation: Cooptation is absorbing new elements into the organization's leadership structure to avert threats to its stability or existence. An example of cooptation might occur when universities invite wealthy alumni to join their boards of directors.
Difficulty: 2 Medium
Topic: External Environment
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
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84) Wellspring Health and United Coverage are two health insurance companies that have joined forces with one another to lobby against a new regulation that will affect their ability to deny claims. This action is referred to as
A) contraction.
B) coalition.
C) cooptation.
D) domain selection.
E) benchmarking.

Answer: B
Explanation: A coalition is two or more groups that coalesce and act jointly with respect to some set of issues for some period of time. An example of coalition formation might be when local businesses band together to curb the rise of employee health care costs and when organizations in the same industry form industry associations and special interest groups.
Difficulty: 3 Hard
Topic: External Environment
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
Bloom's: Analyze
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

85) The process of sharing power with employees is called
A) empowerment.
B) downgrading.
C) benchmarking.
D) vertical synergy.
E) power building.

Answer: A
Explanation: Empowerment is the process of sharing power with employees, thereby enhancing their confidence in their ability to perform their jobs and their belief that they are influential contributors to the organization.
Difficulty: 1 Easy
Topic: Empowerment
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
Bloom's: Remember
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86) Fatima recently got promoted to a managerial role in a bureaucratic organization. The industry was changing dramatically, and Fatima suggested that the management team encourage employees to develop confidence by giving them some control and authority in order to create a more flexible, adaptable organization. Here, Fatima is suggesting the use of _____ with employees.
A) smoothing
B) benchmarking
C) empowerment
D) cooptation
E) coalition

Answer: C
Explanation: Empowerment is the process of sharing power with employees, thereby enhancing their confidence in their ability to perform their jobs and their belief that they are influential contributors to the organization.
Difficulty: 2 Medium
Topic: Empowerment
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
Bloom's: Apply
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

87) Creating supplies of excess resources in case of unpredictable needs is known as
A) cooptation.
B) smoothing.
C) flexible processing.
D) empowering.
E) buffering.

Answer: E
Explanation: To help organizations compete, they can create buffers on both the input and output boundaries with the environment. Buffering creates supplies of excess resources to meet unpredictable needs.
Difficulty: 1 Easy
Topic: Buffering
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
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88) Diego owns Signature Gifts, a store that specializes in items that businesses can customize with their company name or logo and then give away as advertising or customer-loyalty rewards. He is projecting that the economy will rebound this fall. He ordered additional holiday-themed gifts in February in anticipation of possible surge in sales during the holiday season. In this case, which of the following methods is Diego using to be sure that he has enough gifts for extra holiday customers?
A) just-in-time inventory
B) smoothing
C) benchmarking
D) buffering
E) diversification

Answer: D
Explanation: Buffering is creating supplies of excess resources in case of unpredictable needs. In Diego's case, he has accumulated additional inventory to sell during the holiday season because demand is unpredictable.
Difficulty: 3 Hard
Topic: Buffering
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
Bloom's: Analyze
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89) Leveling normal fluctuations at the boundaries of the environment is called
A) buffering.
B) smoothing.
C) flexible processing.
D) empowerment.
E) coalition.

Answer: B
Explanation: Smoothing refers to the process of leveling normal fluctuations at the boundaries of the environment. For example, during winter months in the north, when automobile sales drop off, it is not uncommon for dealers to cut the price of their in-stock vehicles to increase demand.
Difficulty: 1 Easy
Topic: External Environment
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
Bloom's: Remember
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90) Methods for adapting the technical core to changes in the environment are known as
A) flexible processes.
B) smoothing effects.
C) buffering techniques.
D) benchmarking tools.
E) environmental scanners.

Answer: A
Explanation: Flexible processes are methods for adapting the technical core to changes in the environment. For example, firms increasingly try to customize their goods and services to meet the varied and changing demands of customers.
Difficulty: 1 Easy
Topic: External Environment
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
Bloom's: Remember
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

91) NBIC (National Bicycle Industrial Company) of Japan specializes in mass customization to cater to the changing demands of its customers. Customers can choose the frame and other parts of the bicycle and it is made according to their order. This is one example of how NBIC uses
A) cooptation.
B) flexible processes.
C) smoothing techniques.
D) benchmarking.
E) diversification.

Answer: B
Explanation: Flexible processes are methods for adapting the technical core to changes in the environment. For example, firms increasingly try to customize their goods and services to meet the varied and changing demands of customers.
Difficulty: 3 Hard
Topic: External Environment
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
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92) Paul runs a large, publicly owned automotive supply company called KarParts Inc. His stockholders have demanded to know why KarParts Inc.'s earnings expectations were not fulfilled in the previous year, and they demand to know how Paul is prepared to improve earnings for the current year. Paul suspects the problem is that the company is experiencing environmental uncertainty. In that case, which of the following would be most helpful for Paul to consider?
A) the different ways his rivals in the industry are competing with him
B) the value of engaging in unlawful or unethical behavior
C) the demographics of his target customers
D) the extent to which his employees understand the organizational culture
E) the effect that his company is having on the natural environment

Answer: A
Explanation: Environmental uncertainty means that managers do not have enough information about the environment to understand it or predict the future. Uncertainty arises from two related factors: complexity and dynamism. Environmental complexity is the number of issues to which a manager must attend and their interconnectedness, such as being in an industry with many firms competing in vastly different ways.
Difficulty: 3 Hard
Topic: External Environment
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
Bloom's: Apply
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

93) The set of important assumptions about an organization and its goals and practices that members of the company share is called organization
A) culture.
B) design.
C) climate.
D) layout.
E) structure.

Answer: A
Explanation: Organization culture is the set of important assumptions about an organization and its goals and practices that members of the company share. It is a system of shared values about what is important and beliefs about how the world works.
Difficulty: 1 Easy
Topic: Organizational Culture
Learning Objective: 02-06 Define elements of an organization's culture.
Bloom's: Remember
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94) Little Learners is a company that designs and manufactures fun and educational toys. The company makes it a point to stress to its employees that innovation is its core strength. The employees even get an hour a day to brainstorm and come up with out-of-the-box ideas. This highlights the _____ of the company.
A) cooperative strategies
B) external environment
C) organization culture
D) competitive pacification
E) domain selection

Answer: C
Explanation: The organization culture is the set of important assumptions about the organization and its goals and the practices that members of the company share. It is a system of shared values about what is important and beliefs about how the world works. In this way, a company's culture provides a framework that organizes and directs people's behavior on the job.
Difficulty: 2 Medium
Topic: Organizational Culture
Learning Objective: 02-06 Define elements of an organization's culture.
Bloom's: Understand
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

95) Paolo has been offered jobs at two different retail companies and needs to decide which one to accept. Which of the following can be a useful clue about each organization's culture?
A) the way employees interact with customers
B) information printed in the media about stock prices
C) the macroenvironment
D) the personality characteristics of employees
E) the industrial environment

Answer: A
Explanation: The culture of an organization may be difficult for an observer to define easily, yet it can often be sensed almost immediately. The ways people dress and behave or the ways they interact with each other and with customers are clues to an organization culture.
Difficulty: 2 Medium
Topic: Organizational Culture
Learning Objective: 02-06 Define elements of an organization's culture.
Bloom's: Understand
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96) Tansal is a new marketing manager for JustBooks, a small bookstore chain in the Midwest. He has been told by the human resources department that management thinks he is having difficulty assimilating into the organization culture of the company. To improve his situation, Tansal should consider whether
A) the organization culture is too weak for a strong personality like him.
B) he should spend more time socializing with the top managers.
C) his educational qualifications are too high for the position he is doing.
D) his dress, behavior, and interactions fit in with those of his colleagues.
E) he needs to increase the success rate of his marketing campaigns.

Answer: D
Explanation: A company's culture provides a framework that guides people's behavior on the job. For example, the way people dress and behave, the way they interact with each other and with customers, and the work habits that managers value are usually quite different at a bank than they are at a rock music company, and different again at a law firm or an advertising agency.
Difficulty: 2 Medium
Topic: Organizational Culture
Learning Objective: 02-06 Define elements of an organization's culture.
Bloom's: Apply
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

97) Which of the following statements about organizational culture is true?
A) Corporate mission statements are always a true expression of a firm's culture.
B) Who is hired and fired and why indicate the firm's real values and are a clue to the culture.
C) A firm with a strong culture will have different people holding different values.
D) A culture that was advantageous in a prior era continues to be so in a new environment.
E) It is not necessary to consider culture when considering a merger.

Answer: B
Explanation: For diagnosing a culture, status symbols can give an individual a feel for how rigid the hierarchy is and for the nature of relationships between lower and higher levels. Who is hired and fired—and why—and the activities that are rewarded indicate the firm's real values.
Difficulty: 2 Medium
Topic: Organizational Culture
Learning Objective: 02-07 Discuss how an organization's culture and climate affect its response to its external environment.
Bloom's: Understand
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98) A company uses independent strategies when it acts on its own to change some aspect of its
A) environment.
B) competition.
C) corporate organization.
D) corporate strategies.
E) employment policies.

Answer: A
Explanation: A company uses independent strategies when it acts on its own to change some aspect of its current environment.
Difficulty: 1 Easy
Topic: Organizational Environment
Learning Objective: 02-07 Discuss how an organization's culture and climate affect its response to its external environment.
Bloom's: Remember
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

99) In some situations, two or more organizations work together using _____ to influence the environment.
A) independent strategies
B) competitive aggression
C) cooperative strategies
D) competitive pacification
E) public relations

Answer: C
Explanation: In some situations, two or more organizations work together using cooperative strategies to influence the environment.
Difficulty: 1 Easy
Topic: Organizational Environment
Learning Objective: 02-07 Discuss how an organization's culture and climate affect its response to its external environment.
Bloom's: Remember
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100) The attitude and behavior patterns that shape people's experience of an organization is called an organizational
A) culture.
B) climate.
C) environment.
D) strategy.
E) adhocracy.

Answer: B
Explanation: Organizational climate consists of the patterns of attitudes and behavior that shape people's experience of an organization. In contrast to a culture's deeply held beliefs, values, and so on, an organization's climate can be measured more readily.
Difficulty: 2 Medium
Topic: Organizational Culture
Learning Objective: 02-07 Discuss how an organization's culture and climate affect its response to its external environment.
Bloom's: Understand
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

101) Kate, the manager of Halpern Tooling Company, wants to create a stronger, more positive culture at the company. How might Kate promote and encourage a stronger culture?
A) Create a spreadsheet showing that employees are better paid than at other companies.
B) Treat employees to a lunch/presentation that showcases the firm's goals and priorities.
C) Analyze the macroenvironment of the company and that of its competitors.
D) Analyze the competitive environment and competitive intelligence of the company.
E) Suggest that supervisors review the company handbook with their departments.

Answer: B
Explanation: An organization's culture is like an individual's personality. Organization culture is the set of important assumptions about the organization and its goals and practices that members of the company share.
Difficulty: 3 Hard
Topic: Organizational Culture
Learning Objective: 02-07 Discuss how an organization's culture and climate affect its response to its external environment.
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Scenario A. Marla's Basement is a small retail store that specializes in antique figurines and decorative knickknacks. In analyzing the environment, Marla has uncovered the following interesting findings:

1. Marla has recently purchased more inventory than in the past. The people from whom she buys are selling off more knickknacks because their children are not interested in this type of decorative items and they would prefer to liquidate unnecessary household items to help them with their daily expenses.
2. Marla discovered that her business is in a historical preservation district. As she considers remodeling the shop, she realized that she must pay attention to the guidelines set forth in the governing laws.
3. Marla's buyer-customer base seems to be changing. The tastes of the younger generation near her shop are shifting to modern decor, so the customer base to which she sells is shrinking.
4. Marla has been told that she should consider selling her inventory via the Internet, but she does not own (or understand how to use) a computer.
5. In reading a survey of regional business, Marla discovered that there are no other antique knickknack stores within 200 miles.

102) In Scenario A, which of the following elements of the macroenvironment was part of Marla's findings?
A) sustainability
B) psychology
C) corporate governance
D) sociology
E) technology

Answer: E
Explanation: The macroenvironment includes legal and political, economic, technological, demographic, social, and natural factors that generally affect all organizations. The only one of these categories mentioned in the question is technology, illustrated by selling on the Internet.
Difficulty: 3 Hard
Topic: Macroenvironment
Learning Objective: 02-01 Describe how environmental forces influence organizations and how organizations can influence their environments.
Bloom's: Analyze
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103) When Marla read the survey of regional businesses, she was investigating
A) the competitive environment.
B) the macroenvironment.
C) a closed environment.
D) the internal environment.
E) the social environment.

Answer: A
Explanation: The competitive environment is composed of current competitors, suppliers, customers (buyers), new entrants, and substitute or complementary products.
Difficulty: 2 Medium
Topic: Competitive Environment
Learning Objective: 02-01 Describe how environmental forces influence organizations and how organizations can influence their environments.
Bloom's: Apply
AACSB: Knowledge Application
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104) Findings about changing customer preferences and others who sell antique knickknacks are associated with the
A) competitive environment as described by Porter.
B) macroenvironmental economic trends.
C) macroenvironmental political trends.
D) amount of rivalry in Marla's internal environment.
E) barriers to entry in Marla's competitive environment.

Answer: A
Explanation: The competitive environment as described by Porter includes both suppliers (those selling the antiques) and customers (those buying the antiques). The competitive environment also includes new entrants, substitutes and complements, as well as rival firms.
Difficulty: 2 Medium
Topic: Porter's Five Forces
Learning Objective: 02-04 Identify elements of the competitive environment.
Bloom's: Apply
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

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105) Which of the following elements of the macroenvironment is most closely associated with the findings about the historical preservation district?
A) laws and regulations
B) the economy
C) demographics
D) technology
E) the natural environment

Answer: A
Explanation: The macroenvironment is the general environment, including governments, economic conditions, and other fundamental factors that generally affects all organizations. Laws and regulations are part of the macroenvironment and affect Marla by dictating how she can renovate her shop based on the prevailing rules of the historical preservation district her shop is in.
Difficulty: 3 Hard
Topic: Macroenvironment
Learning Objective: 02-02 Distinguish between the macroenvironment and the competitive environment.
Bloom's: Analyze
AACSB: Analytical Thinking
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Scenario B. Paul and his wife are investigating the possibility of starting a new restaurant in Beaufort, a small town in the South Carolina low country. It has been Paul's lifelong dream. Paul has won a lottery and is trying to decide if this is what he wants to do with the prize money. He decides to do an analysis of the competitive environment. After his analysis, he discovers several important issues. First, it will cost most of Paul's lottery winnings to finance a restaurant in Beaufort. Second, it will be difficult to attract new customers because they have so many eating choices available to them in Beaufort and the surrounding towns. Finally, the competition in the restaurant industry is considered fierce by industry analysts and this is frightening to someone, like Paul, who has never worked in that industry.

106) Which of the following factors would Paul have considered while analyzing the competitive environment?
A) technology
B) substitutes
C) legal factors
D) economic factors
E) demographics

Answer: B
Explanation: The competitive environment as described by Michael Porter includes suppliers, customers, new entrants, substitutes and complements, as well as rival firms.
Difficulty: 2 Medium
Topic: Porter's Five Forces
Learning Objective: 02-04 Identify elements of the competitive environment.
Bloom's: Understand
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

107) The information that Paul has collected in his competitive analysis can be referred to as
A) corporate espionage.
B) competitive intelligence.
C) domain selection.
D) strategic vision.
E) mission statement.

Answer: B
Explanation: Competitive intelligence is the information necessary to decide how best to manage in the competitive environment managers have identified.
Difficulty: 2 Medium
Topic: Competitive Intelligence
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
Bloom's: Understand
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108) From Scenario B, based on Paul's analysis of the competitive environment, it can be inferred that
A) the customers will face switching costs.
B) there are no competitors.
C) there are many substitutes.
D) there are no barriers to entry.
E) the threat of new entrants is high.

Answer: C
Explanation: The competitive environment includes rivalry among current competitors and the impact of new entrants, substitute and complementary products, suppliers, and customers. Based on Paul's analysis of the competitive environment, it can be inferred that there are many substitutes.
Difficulty: 3 Hard
Topic: Competitive Environment
Learning Objective: 02-04 Identify elements of the competitive environment.
Bloom's: Analyze
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

109) Which of the following factors is indicated by the fact that it will require a large capital investment to start a new restaurant?
A) high bargaining power of customers
B) low threat of new entrants
C) high threat of new entrants
D) many substitute products
E) low bargaining power of customers

Answer: B
Explanation: New entrants into an industry compete with established companies. The high cost of entering the restaurant industry forms a barrier to entry that diminishes the threat of new entrants.
Difficulty: 2 Medium
Topic: Competitive Environment
Learning Objective: 02-04 Identify elements of the competitive environment.
Bloom's: Understand
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Scenario C. Parker Brothers is a high-end furniture manufacturer located in the Midwest. Mr. Herbert "Bud" Parker started the firm as a young man in the 1960s. The firm has grown, but with growth, it has never forgotten the vision of Mr. Parker: to be creative in all that the firm does while rewarding employees who show innovation and entrepreneurial leadership. Each year the Budding Genius Award is given to the employee who comes up with the best design or marketing idea. New employees are told of the organization's history of product innovation and are taken on a tour of the "Wall of Parker Legends," where pictures of outstanding employees are hung with descriptions of their accomplishments. Managers at the firm encourage their team members to take risks in proposing new ideas. The company prides itself on its product leadership.

110) The stories about the "Parker Legends" and the organization's most innovative designs are all clues to understanding the
A) organization culture.
B) company's macroenvironment.
C) organization's competitive environment.
D) collective competitive intelligence.
E) organizational structure.

Answer: A
Explanation: Organization culture refers to the set of important assumptions about the organization and its goals and practices that members of the company share. The scenario explains the organization culture of the company.
Difficulty: 2 Medium
Topic: Organizational Culture
Learning Objective: 02-06 Define elements of an organization's culture.
Bloom's: Apply
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111) Which of the following is an example of passing along organization culture through the stories people tell?
A) Budding Genius award
B) the vision to be creative in all the firm does
C) Wall of Parker Legends
D) the encouragement of risks
E) rewards for innovation and entrepreneurial leadership

Answer: C
Explanation: The stories people tell carry a lot of information about the company's culture. Every company has its myths, legends, and true stories about important past decisions and actions that convey what managers respect, admire, and don't tolerate. The stories often feature the company's heroes, once or still active, who brought to life what the organization especially wants and depends on.
Difficulty: 2 Medium
Topic: Adhocracy Culture
Learning Objective: 02-07 Discuss how an organization's culture and climate affect its response to its external environment.
Bloom's: Apply
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

112) Based on the information in Scenario C, which of the following is likely to be the dominant attribute of Parker Brothers?
A) rules and regulations
B) creativity
C) competitiveness
D) control
E) collaboration

Answer: B
Explanation: The culture at Parker Brothers focuses on flexibility, change, and external differentiation. An emphasis on creativity is essential to maintain such a culture.
Difficulty: 3 Hard
Topic: Creativity-Scenario
Learning Objective: 02-07 Discuss how an organization's culture and climate affect its response to its external environment.
Bloom's: Analyze
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Scenario D. Jimena works for a small company that makes nut butters from ingredients like cashews and macadamia nuts, and jams from mixtures of tropical fruits. She reports to the CFO. It is her job to predict the costs of raw materials for the next five years. She uses various research sources, including the news, to learn who the competitors are and what they have been doing. In fact, she subscribes to an analyst e-newsletter that tells her about crop availability and weather conditions all around the globe. Every month she develops a spreadsheet for her boss indicating the likely costs of fruits and nuts given the type of weather conditions expected in each area of the world and thus the availability of particular crops. She is also involved in a team that is investigating how to cut production costs. They have recently met with Spicy Sides, a company that produces jars of condiments. Spicy Sides is considered the top company in the condiment industry, especially in its knowledge of how to pack food products in jars. Jimena's team is comparing their processes to those of Spicy Sides to see how they might improve.

113) When predicting the costs for her company, Jimena is engaging in
A) forecasting.
B) competitive intelligence.
C) environmental scanning.
D) benchmarking.
E) scenario development.

Answer: A
Explanation: Forecasting is a method for predicting how variables will change the future. In this scenario, Jimena is trying to determine costs in the future.
Difficulty: 2 Medium
Topic: Environmental Scanning
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
Bloom's: Apply
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

114) The information Jimena is using to compete in a better way is called
A) mission statement.
B) competitive intelligence.
C) best-case scenario.
D) organizational database.
E) knowledge document.

Answer: B
Explanation: Competitive intelligence is information that helps managers determine how to compete better. In this scenario, Jimena is collecting information about crops so she can find the best value for the company.
Difficulty: 2 Medium
Topic: Competitive Intelligence
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
Bloom's: Understand
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115) The spreadsheet that Jimena uses gives her a chance to examine different projections, which is a form of
A) divestiture.
B) strategic maneuvering.
C) domain selection.
D) benchmarking.
E) scenario development.

Answer: E
Explanation: Scenario development creates alternative combinations of different factors (such as the weather and harvest of various crops) into a total picture of the environment and the firm. It is a narrative that describes a particular set of future conditions.
Difficulty: 2 Medium
Topic: Organizational Analysis
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
Bloom's: Apply
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

116) Which of the following are Jimena and her team using when they learn from Spicy Sides about its packing process?
A) forecasting
B) strategic maneuvering
C) domain selection
D) benchmarking
E) scenario development

Answer: D
Explanation: Benchmarking means identifying the best-in-class performance by a company (Spicy Sides) in a given area (bottling) and then comparing one's processes to theirs. Jimena is comparing her company's process of bottling to that of Spicy Sides.
Difficulty: 3 Hard
Topic: Benchmarking
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
Bloom's: Analyze
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117) List the elements of a firm's macroenvironment and illustrate how each affects the firm.

Answer: The elements include legal, political, economic, technological, demographic, and social and natural factors that generally affect all organizations.

Legal and political: U.S. government policies impose strategic constraints on organizations but may also provide opportunities. For example, in the United States, the Patient Protection and Affordable Care Act, which requires businesses with 50 or more full-time employees to offer health insurance, contains such a variety of provisions that some managers see mainly the costs of compliance, whereas others see opportunities for their companies.

Economics: Although most Americans think in terms of the U.S. economy, the economic environment for organizations is much larger-created by complex interconnections among the economies of different countries. For example, Wall Street investment analysts begin their workday thinking not just about what the New York Stock Exchange did yesterday but also about how the London and Tokyo exchanges did overnight.

Technological: Today a company cannot succeed without incorporating into its strategy the astonishing technologies that continually evolve. Technological advances create new products, advanced production techniques, and better ways of managing and communicating. In addition, as technologies evolve, new industries, markets, and competitive niches develop.

Demographic: Demographics are measures of various characteristics of the people who make up groups or other social units. Managers must consider workforce demographics in formulating their human resource strategies. Population growth influences the size and composition of the labor force. For example, young workers are declining in numbers and the fastest-growing age group will be workers who are 55 and older, who are expected to represent over one-fourth of the labor force in 2022.

Social: Societal trends regarding how people think and behave have major implications for management of the labor force, corporate social actions, and strategic decisions about products and markets. For example, during the 1980s and 1990s, women in the workforce often chose to delay having children as they focused on their careers, but today more women are having children and then returning to the workforce. As a result, companies have introduced more supportive policies, including family leave, flexible working hours, and child care assistance.

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Natural: Organizations depend on the natural environment to provide them with resources. For example, depending on their products and processes, they may need trees for paper, steel for manufacturing goods, petroleum to fuel transportation or make plastics, and adequate air and water quality to maintain a healthy workforce. In addition, the ways in which organizations operate will have some impact on the quantity and quality of natural resources available. For example, when the quantity is depleted or the quality is damaged, costs for resources skyrocket. Furthermore, the impact on natural resources affects the quality of life for citizens in the areas where companies operate.
Difficulty: 2 Medium
Topic: Macroenvironment
Learning Objective: 02-01 Describe how environmental forces influence organizations and how organizations can influence their environments.
Bloom's: Understand
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

118) Give an example of a current societal trend and how it might affect a specific business. Explain the impact by using specific details.

Answer: Societal trends regarding how people think and behave have major implications for management of the labor force, corporate social actions, and strategic decisions about products and markets. Student examples will vary. A sample answer follows: For example, during the 1980s and 1990s, women in the workforce often chose to delay having children as they focused on their careers, but today more women are having children and then returning to the workforce. As a result, companies have introduced more supportive policies, including family leave, flexible working hours, and child care assistance.
Difficulty: 3 Hard
Topic: Macroenvironment
Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.
Bloom's: Analyze
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

119) Explain how technology can help an organization.

Answer: Technological advances create new products, advanced production techniques, and better ways of managing and communicating. In addition, as technologies evolve, new industries, markets, and competitive niches develop.
Difficulty: 2 Medium
Topic: Technology
Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.
Bloom's: Understand
AACSB: Technology
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120) Discuss how immigration patterns influence the management of the U.S. labor force.

Answer: Immigrants are frequently of working age but have different educational and occupational backgrounds from the rest of the labor force. Immigration is one reason the labor force continues to become more ethnically diverse. Managers have to make certain they provide equality for women and minorities, and they must make plans to recruit, retain, rain, motivate and effectively use people of diverse demographic backgrounds who have the skills to achieve the company's mission.
Difficulty: 2 Medium
Topic: Macroenvironment
Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.
Bloom's: Understand
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

121) Explain how sustainability and natural environment affect the management of an organization.

Answer: Organizations depend on the natural environment to provide them with resources. The ways in which organizations operate will have some impact on the quantity and quality of natural resources available. Decisions that affect the natural environment therefore impact the climate of social issues and the political and legal environments.
Difficulty: 3 Hard
Topic: Macroenvironment
Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.
Bloom's: Analyze
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

122) Identify the different types of competitors that organizations must consider when analyzing their competitive environment.

Answer: Competitors may include small domestic firms, strong regional competitors, big new domestic companies exploring new markets, overseas firms, and newer entries, such as firms offering their products on the web.
Difficulty: 2 Medium
Topic: Competitive Environment
Learning Objective: 02-04 Identify elements of the competitive environment.
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123) List actions and attitudes that result in excellent customer service.

Answer: Excellent customer service results from speed of filling and delivering orders; willingness to meet emergency needs; merchandise delivered in good condition; service charges, whether free or priced separately; availability of installation and repair services and parts; and readiness to take back defective goods and resupply quickly.
Difficulty: 2 Medium
Topic: Customer Relationship Management (CRM)
Learning Objective: 02-04 Identify elements of the competitive environment.
Bloom's: Understand
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

124) As environmental uncertainties increase, managers must develop techniques and methods for collecting, sorting through, and interpreting information about the environment. Discuss four of these methods, explaining when and why each would be used.

Answer: To understand and predict environmental changes, opportunities, and threats, companies spend time and money monitoring events. Environmental scanning means both searching for useful information and interpreting what is important and what is not. As managers attempt to determine the effects of environmental forces on their organizations, they can develop scenarios depicting possible futures. Scenario development helps managers develop contingency plans for what they should do given different future situations. A forecast is a single prediction about the future. In deciding to expand or downsize a business, firms predict the demand for goods and services or the supply and demand of required labor. Benchmarking means identifying the best-in-class performance by a company in each area, say, product development or customer service, and then comparing your processes to theirs. All of these methods can be used to try to interpret the environment when managers are seeing an increase in environmental uncertainties.
Difficulty: 2 Medium
Topic: Organizational Environment
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
Bloom's: Understand
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125) Differentiate between unattractive and attractive competitive environments, using Porter's model of the competitive environment.

Answer: In attractive environments, there are few competitors, high industry growth, and unequal size. There is a low threat of entry and many entry barriers, and there are few substitutes. There are many suppliers and customers, and they have low bargaining power. In unattractive environments, there are many competitors, low industry growth, and equal size. The threat of entry is high, with few barriers to entry. There are many substitutes and few suppliers and customers, with high bargaining power.
Difficulty: 3 Hard
Topic: Porter's Five Forces
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
Bloom's: Analyze
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

126) Summarize the different approaches of strategic maneuvering that organizations can take to change the environment they are in.

Answer: Some of the approaches of strategic maneuvering include domain selection, which means entrance by a company into another suitable market or industry; diversification, which is when a firm invests in different types of businesses or products or when it expands geographically to reduce its dependence on a single technology or market; a merger or acquisition, which occurs when two or more firms combine, or one buys another to form a single company; and divestiture, when a company sells one or more of its businesses.
Difficulty: 2 Medium
Topic: Strategic Position
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
Bloom's: Understand
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

127) Explain two general types of proactive responses that managers and organizations can take to change the environment.

Answer: Two general types of proactive responses are independent action, which is when companies act on their own to change some aspect of its current environment, and cooperative action, which occurs when two or more organizations work together using cooperative strategies to influence the environment.
Difficulty: 2 Medium
Topic: Organizational Change
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
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128) Contrast bureaucratic and organic organizations.

Answer: Bureaucratic organizations tend to be formal and stable; frequently they are unable to adjust to changes or exceptional circumstances that don't "fit the rules." When products, technologies, customers, or competitors are changing, organic structures give organizations to the flexibility to adjust to change.
Difficulty: 2 Medium
Topic: Organizational Environment
Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.
Bloom's: Understand
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

129) Explain the different characteristics of strong corporate cultures and weak corporate cultures.

Answer: Strong cultures include people who understand and believe in the firm's goals, priorities, and practices. A strong culture can be counterproductive when changes become necessary. Strong cultures can breed overconfidence and inspire wrong-headed efforts. Weak cultures lack strong shared values and breed confusion about corporate goals. Some managers may pay lip service to an important behavior but behave very differently.
Difficulty: 2 Medium
Topic: Organizational Culture
Learning Objective: 02-06 Define elements of an organization's culture.
Bloom's: Understand
AACSB: Knowledge Application
Accessibility: Keyboard Navigation

130) What are the clues to understanding an organization's culture? List the characteristics of a strong culture.

Answer: Certain organizational characteristics define a strong or a weak culture. Strong cultures employ people who understand and strongly believe in the firm's goals, priorities, and practices. Strong cultures encourage high values, laudable goals, and useful behaviors.
Difficulty: 2 Medium
Topic: Organizational Culture
Learning Objective: 02-07 Discuss how an organization's culture and climate affect its response to its external environment.
Bloom's: Understand
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131) Describe the culture of an organization that you have either worked in or studied about. Evaluate whether it was a strong or weak culture, and justify your answer with reasons.

Answer: Answers will vary, but will demonstrate an accurate understanding that strong cultures employ people who understand and strongly believe in the firm's goals, priorities, and practices. Strong cultures encourage high values, laudable goals, and useful behaviors. Weak cultures lack strong shared values and breed confusion about corporate goals.
Difficulty: 3 Hard
Topic: Organizational Culture
Learning Objective: 02-07 Discuss how an organization's culture and climate affect its response to its external environment.
Bloom's: Apply
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