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SKU: 9781264124312-TEST-BANK

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CORRECT ANSWERS ARE LOCATED IN THE 2ND HALF OF THIS DOC.

TRUE/FALSE - Write 'T' if the statement is true and 'F' if the statement is false.

1) Executives whose visions and decisions help their companies achieve competitive advantage can be considered strategic leaders.
   - ◎ true
   - ◎ false

2) Strategic leaders spend the majority of their time working alone to devise new strategies.
   - ◎ true
   - ◎ false

3) The upper-echelons theory favors the idea that effective strategic leadership results from innate abilities rather than learning.
   - ◎ true
   - ◎ false

4) It is helpful to break down strategy formulation and strategy implementation into five distinct areas.
   - ◎ true
   - ◎ false

5) Because environments are always dynamic, all organizations will encounter a strategic inflection point.
   - ◎ true
   - ◎ false

6) A surprise event that leads to a change in strategic initiatives, such as the accidental discovery of a new use for an existing product, is known as serendipity.
   - ◎ true
   - ◎ false

7) A firm's resource-allocation process (RAP) has very little effect on its realized strategy.
   - ◎ true
   - ◎ false

8) Core values provide ethical guidelines for how individual employees will behave.
   - ◎ true
   - ◎ false

9) Managers should create two sets of core values: one for employees and one for themselves.
   - ◎ true
   - ◎ false

10) System 2 thinking is fast, unconscious, and automatic; it is the brain's default mode.
    - ◎ true
    - ◎ false

11) Strategy formulation concerns *where* and *how to* compete, whereas strategy implementation concerns organizing, coordinating, and integrating *how work gets done.*
    - ◎ true
    - ◎ false

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12) A vision describes in broad, inspirational terms what an organization hopes to accomplish in the future.
- ◎ true
- ◎ false

13) A mission describes how a firm will accomplish the broad goals set out in a vision statement.
- ◎ true
- ◎ false

14) Customer-oriented vision statements are better suited than product-oriented vision statements for helping companies to adapt to changing environments.
- ◎ true
- ◎ false

MULTIPLE CHOICE - Choose the one alternative that best completes the statement or answers the question.

15) Gina is the founder and CEO of a successful technology firm. In a memo, she informs the company's employees that remote workers will be required to attend onsite teambuilding events at least once per quarter. In this example, Gina's authority to institute a policy change is based on
- A) strategic leadership.
- B) informal power.
- C) position power.
- D) strategic initiative.

16) Rayya is exploring multiple suppliers in order to find the best price. However, instead of calling all seven potential suppliers, he only reaches out to the first four and bases his selection on those instead of contacting all suppliers. Rayya's action best describes the concept of
- A) satisficing.
- B) optimal decision making.
- C) the illusion of control.
- D) escalating commitment.

17) Hanna, the owner of GT Trading Inc., is engaged in the strategy formulation stage. She has already allocated a significant sum of money to upgrade the company's communication network (sunk costs) but has failed to see any positive outcomes. Given the money she has already spent, she feels she needs to recover those costs and moves forward with the communications upgrade even though the outcome does not seem promising. This best illustrates the concept of
- A) escalating commitment.
- B) optimal decision making.
- C) cognitive limitations.
- D) the illusion of control.

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18) Jennifer was just named the CEO of a pen company called National Pens Inc. She immediately changed the name to "Jenn's Pens." When asked why she made this change by the board of directors, who showed research that there was no correlation between success and CEO names, she responded by saying, "my previous company had the name of their CEO in the title, and they were very successful." This fallacy on Jenifer's part reveals her
   A) confirmation bias.
   B) optimal decision making.
   C) escalation of commitment.
   D) groupthink.

19) Which of the following strategy plans might work best in an industry that is considered a fast-changing environment with new laws going into effect regularly?
   A) scenario planning
   B) top-down planning
   C) bottom-up planning
   D) dominant planning

20) Which of the following statements best represents a customer-oriented vision?
   A) "We provide solutions to streamline payroll and tax processing."
   B) "We are in the entertainment and hospitality typewriter business."
   C) "To be the top-rated dental practice in the state."
   D) "We aim to build the best child safety seats in the world."

21) The process that describes the method by which managers conceive of and implement a strategy that can lead to a sustainable competitive advantage is called
   A) strategic process.
   B) strategic technology.
   C) strategic management.
   D) strategic planning.

22) Visionary companies differ from their competition in that
   A) employees in visionary organizations find meaning in their work and are motivated.
   B) a visionary company focuses on scenario planning and future competitive threats.
   C) in a visionary company it is the CEO's managerial style that gives the company its emergent strategy.
   D) visionary companies typically emphasize measuring financial performance.

23) Organizational values help people make choices that are ethical and company-goal-oriented. These values answer which strategic management question?
   A) What do we want to accomplish as a company?
   B) How do we accomplish our goals in the organization?
   C) What are we about as a firm compared to our competitors?
   D) What is the best way to compete in the industry?

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24) Which of the following frameworks correctly identifies the three steps in the strategic management process?
A) AFI: Analyze-Formulate-Implement
B) AFE: Analyze-Formulate-Execute
C) API: Analyze-Plan-Implement
D) APE: Analyze-Plan-Execute

25) When start-up entrepreneurs make claims like, "We will be the Uber of X, where X is any other category than ride hailing" or "We will be the Airbnb of Y, where Y is any other category than hospitality services" they are best illustrating which of the following cognitive biases?
A) groupthink
B) escalation of commitment
C) representativeness bias
D) confirmation bias

26) Marta and Qing both serve as SBU managers of their divisions. They have both been asked by the CEO to generate two different courses of action for a new product launch. This strategic decision-making technique can be described as
A) dialectic inquiry.
B) group think.
C) strategic intent.
D) devil's advocacy decision framework.

27) Do vision statements help firms gain and sustain competitive advantage?
A) It depends, because the effectiveness of vision statements differs by type.
B) Yes, but only if the vision statements are short, concise and are well written.
C) No, vision statements do not, but mission statements do.
D) They do only if the vision statement follows the strategic management process.

28) Which of the following examples reflects the most effective vision?
A) Most employees at Enterprise Flooring want to create better flooring products than the firm's closest competitor.
B) Many employees at Enterprise Flooring get paid well but do not feel their work is important.
C) Some employees at Enterprise Flooring do not understand the main goal of the company.
D) All employees at Enterprise Flooring are motivated to make the best flooring products on the market.

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29) The Founder of Teach for America, Wendy Kopp, wants to make teaching an attractive option for promising young professionals. Identify the phrase that represents the vision she developed for Teach for America.
A) to improve standardized test scores across the board
B) to cut wasteful spending from education budgets
C) to encourage parents to take a more active role in their children's education
D) to give all children in the United States the opportunity to attain an excellent education

30) The first step to gain and sustain a competitive advantage is to
A) define an organization's vision, mission, and values.
B) understand the strategies of the competitors.
C) put the guiding policies of an organization into practice.
D) develop functional and business-level strategies.

31) Agro Ecology Inc. is a company that manufactures mechanical and biological products to support sustainable farming methods. The company envisions that sustainable farming will replace industrial agricultural practices in the near future. Which of the following statements would make an accurate vision for Agro Ecology?
A) Agro Ecology aims to make working fun and pleasurable for its employees.
B) We provide environmentally safe agricultural products by investing in research and innovation.
C) All people should have access to food and fibers produced using sustainable farming methods.
D) We make products that support environmentally conscious agriculture.

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32) Home for Good is a nonprofit organization that works to place shelter animals in safe, loving homes. The credo of the organization is "help us help vulnerable animals." For an organization like Home for Good, which of the following statements would make an appropriate mission?
A) We help place vulnerable animals in safe, loving homes by connecting shelter and rescue agencies with vetted adopters.
B) Help us place vulnerable animals in secure and loving homes.
C) Our mission is to turn this not-for-profit organization into a for-profit organization so that the stakeholders benefit.
D) One day, all animals will have the protection of a safe and loving home.

33) Visionary companies are able to outperform their competitors because
A) their vision statements are more product-oriented.
B) they provide more aspirational visions.
C) their visions are primarily financial.
D) they isolate internal stakeholders in defining their visions.

34) To be effective, firms need to
A) back up their visions with strategic commitments that are costly and difficult to reverse.
B) increase their strategic flexibility by developing product-oriented vision statements.
C) isolate top managers from the organizational values.
D) pursue visions that are exclusively financial and not aspirational.

35) Strategic commitments are actions that are
A) inexpensive, long-term-oriented, and difficult to reverse.
B) inexpensive, short-term-oriented, and easy to reverse.
C) costly, long-term-oriented, and difficult to reverse.
D) costly, short-term-oriented, and easy to reverse.

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36) Nuke It is a major manufacturer of microwave ovens. Which of the following statements will best inspire the organization with a shared vision for Nuke It?
A) At Nuke It, employees know that they will make a competitive wage.
B) At Nuke It, employees at all levels are motivated to make the best microwave ovens on the market.
C) At Nuke It, employees want to create a cheaper microwave oven than our closest competitor does.
D) At Nuke It, employees can trust our managers to steer the company.

37) Which of the following summarizes the difference between a firm's vision and mission?
A) A vision states what a firm wants to accomplish; a mission states how a firm plans to accomplish this vision.
B) A vision states the ethical values of a firm; a mission states the monetary goals of a firm.
C) A vision states how much a firm wants to earn; a mission states how these earnings will be accomplished.
D) A vision states the management values of a firm; a mission states the values of the other workers.

38) Deep Earth Gardening has a vision of helping every American learn how to grow their own food. Its management team recently unveiled the mission statement "A garden at every home." What is wrong with this mission statement?
A) It does not indicate how the company will accomplish its goals.
B) It does not include a stretch goal.
C) It is not inspirational and motivating for employees.
D) It is too specific.

39) Upper management at ComfyShoe Inc., a manufacturer of insoles for shoes, wants to work on improving the product lines it already has without taking on other challenges at this time. Which of the following vision statements reflects that goal?
A) ComfyShoe Inc. wants to adapt their insoles to the changing demands of consumers.
B) ComfyShoe Inc. wants to always satisfy the consumers who purchase insoles.
C) ComfyShoe Inc. wants to provide the best benefits for employees in the insole industry.
D) ComfyShoe Inc. wants to be the best manufacturer of insoles in the industry.

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40) A customer-oriented vision statement focuses employees to think about how best to
A) make a product easier to use.
B) increase their efficiency to benefit consumers.
C) improve a popular product.
D) solve a problem for a consumer.

41) Why is it better for firms to keep their vision statements customer-oriented rather than product-oriented?
A) Customer-oriented visions tend to have a more short-range view of changing environments.
B) Customer-oriented visions tend to have a more myopic view of changing environments.
C) Customer-oriented visions tend to be more flexible when adapting to changing environments.
D) Customer-oriented visions tend to be more stable when dealing with changing environments.

42) Which of the following statements about product-oriented visions is true?
A) They tend to force managers to take a myopic view of the competitive landscape.
B) They allow companies to effectively adapt to changing environments.
C) They define a business in terms of providing solutions to customers.
D) They allow firms to set goals that focus primarily on filling the organization's needs.

43) First Pharma Inc. and GeoVax Inc. are two competing firms in the pharmaceutical industry. While First Pharma Inc.'s vision is "to be a preeminent drug manufacturer in the industry," GeoVax Inc.'s vision is "to make good health a reality for everyone around the world." Which of the following is an implication of these different visions?
A) GeoVax Inc.'s vision is more product-oriented than the vision of First Pharma Inc.
B) First Pharma Inc. is more likely to have a positive relationship between its vision and firm performance than GeoVax Inc.
C) First Pharma Inc.'s vision is more long-term and futuristic than GeoVax Inc.'s vision.
D) GeoVax Inc. will be more flexible than First Pharma Inc. when adapting to changing environments.

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44) Which of the following vision statements is most likely to produce a sustainable competitive advantage for a boat dealership?
A) to generate the highest revenues of any dealership in the region
B) to sell only the highest-rated luxury boats
C) to open dealerships across the country
D) to help our customers find the perfect boat for their individual needs

45) A positive relationship between vision statements and firm performance is more likely to exist when
A) visions are product-oriented.
B) internal stakeholders are isolated from defining and revising the visions.
C) organizational structures are aligned with the firm's vision statement.
D) vision statements are equivalent to listening to the customers.

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46) Total Coverage, an insurance brokerage firm, has experienced a 6 percent decline in revenues in consecutive quarters. To lower operating costs, managers reduced the customer service staff from 20 employees to 13. Management also enlisted the remaining employees to help produce a new company vision: *to give customers of all budgets a customized package of policies to meet all their insurance needs*. What is wrong with this scenario?
A) Total Coverage's vision is not customer-oriented.
B) Internal stakeholders were not invested in defining the vision.
C) Total Coverage's organizational structures do not align with the vision.
D) Total Coverage's vision is not aspirational.

47) Which of the following is an example of a business acting upon an organizational core value?
A) Emerald Autos reduces engine emissions below federal guidelines to reduce pollution.
B) Emerald Autos lowers its retail prices to gain an advantage over its closest competitor.
C) Emerald Autos finances research for developing more powerful engines.
D) Emerald Autos launches an ad campaign that promotes the company as being environmentally friendly.

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48) How do strong ethical values benefit a firm?
- A) They lay the groundwork for a quick increase of profits and short-term success.
- B) They serve as the guardrails put in place to keep the company on track when pursuing its mission.
- C) They provide strong public relations, which can either benefit or hinder competitive advantage.
- D) They emphasize benefiting stakeholders by significantly increasing profit.

49) Progress Apparel's core value statement reads *we will ensure our clothing is made with the highest respect toward human rights and environmental protection*. Which of the following actions exemplifies how Progress's core values drive its strategic decision making?
- A) demanding that textile suppliers pay livable wages and maintain safe production facilities
- B) introducing an online customer service unit to keep customers happy
- C) investing in more efficient machinery to reduce costs and lower prices for consumers
- D) purchasing a full-page advertisement in a major newspaper touting the company's values

50) The management of Venture Manufacturing showed a commitment to_____ by increasing the salary of many female employees to meet its goal of having equal pay for comparable work regardless of gender.
- A) scenario planning
- B) upper-echelons theory
- C) product-oriented vision
- D) organizational core values

51) _____ are best described as the ethical standards and norms that govern the behavior of individuals within a firm.
- A) Job descriptions
- B) Customs duties
- C) Corrective controls
- D) Organizational core values

52) When are employees likely to fail to adopt the organizational values of a firm?
- A) when the internal stakeholders of the firm are involved in designing the values
- B) when the top managers in the firm are merely paying lip service to the firm's stated values
- C) when the strategic leaders in the firm propagate and exhibit the same values
- D) when the organizational structure, such as its strategic decision making, is aligned with its values

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53) Organizational values help individuals make choices that are
A) legal but unethical.
B) both illegal and effective.
C) both ethical and effective in advancing a company's goals.
D) ethical but ineffective in achieving long-term success.

54) As the CEO of a conglomerate, Sarah exhibited her strong commitment toward the company's core value that customers' well-being is more important than profit when she convinced the board of directors to liquidate the company's pesticide subsidiary. The pesticide brand sold by her company was a major revenue earner in lesser-developed nations, but studies indicate that it is a carcinogen. Sarah persuaded the board that the company had to be responsible toward society. In this scenario, Sarah has demonstrated
A) strategic leadership.
B) intrapreneurship.
C) Machiavellianism.
D) individualism.

55) Strategic leadership refers to the use of power and influence by_____ to direct the activities of others when pursuing an organization's goals.
A) production workers
B) lower-level managers
C) external stakeholders
D) corporate executives

56) Maria is the chief operating officer of the start-up Apps4U. In which of the following scenarios does Maria exhibit strategic leadership?
A) Maria directs the company to produce an app for reptile enthusiasts, a community she happens to be a part of. Even though the app ends up losing significant amounts of money, Maria is proud of the product and uses it every day.
B) Citing budget concerns, Maria ignores the directions from Apps4U's CEO to double the size of the customer support staff. As a result, the company misses its third quarter customer satisfaction target but exceeds its net profit expectations by 5 percent.
C) Maria schedules a meeting with the manager of the marketing department and overcomes his skepticism about a new campaign aimed at customers in the 55+ age group. Over the next three months, Apps4U gains 250,000 new users in that group.
D) With a major pitch to potential investors coming up, Maria works alone for 10 hours a day until she writes the perfect sales pitch. Even though the rest of her team doubts that they can meet the performance goals Maria has set, she makes the presentation anyway.

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57) The CEO of EveryCar was the child of parents who had difficulty making enough money to support their family. As a result, he and his siblings did not have access to many advantages that children from wealthier families had. This CEO, therefore, emphasized making affordable, low-maintenance vehicles that could be bought by low-income households. Which of the following does this example demonstrate?
A) dominant strategic planning
B) Level-5 leadership pyramid
C) upper-echelons theory
D) scenario planning

58) Pablo is part of a sales team. He effectively coordinates his tasks with others in the team and willingly contributes to their efforts in achieving the team's objectives. Thus, Pablo is in_____ of the Level-5 leadership pyramid.
A) Level 5
B) Level 4
C) Level 3
D) Level 2

59) Malik has been an employee with Terrific Tools for 17 years. He started with an entry-level job, and today he is a manager of an entire product division. Over the years, Malik has acquired a reputation for doing the right things in the company. Hence, as an efficient leader, he is capable of effectively communicating and motivating his subordinates to work toward the company's vision and mission. According to the Level-5 leadership pyramid, which is the highest level of leadership Malik has reached so far?
A) Level 5
B) Level 4
C) Level 3
D) Level 2

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60) Which of the following best describes a Level 5 manager in the Level-5 leadership pyramid?

A) Parvati is an employee who just started her career at TechnoApp Inc.; she has already been appreciated in the company for her knowledge and skills.

B) Desiree is the CEO of Pelletier LLC.; she has helped her company gain and sustain a competitive advantage through ethical decision making.

C) Jory is an employee at Futuro Inc.; they have helped their team achieve its targets by contributing to the team's efforts.

D) Billie is part of the marketing team at Beacon & Perez.; she has been given the charge of managing a team of five, so she will be promoted to a manager's position next month.

61) MoreCash Inc. is a major financial services corporation. With the CEO of MoreCash Inc. preparing to retire, several top managers are vying for the position. Jared considers himself to be a leading candidate. He not only has advanced degrees from business schools and more than a decade of experience working for MoreCash Inc., but he also has personally ensured that his division has exceeded its performance benchmarks over the past three years, even though many of his employees are dissatisfied because they feel they are stagnating in their jobs. According to the Level-5 leadership pyramid, why has Jared failed to exhibit the qualities of a Level-5 leader?

A) His individual skills are not well developed.

B) His actions do not match the organization's strategy.

C) He lacks the organizational ability to accomplish the organization's goals.

D) He is not able to help others reach their full potential.

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62) Which of the following summarizes the difference between corporate strategy and business strategy?
A) Corporate strategy deals with how to compete; business strategy deals with where to compete.
B) Corporate strategy deals with when to compete; business strategy deals with how to compete.
C) Corporate strategy deals with how to compete; business strategy deals with when to compete.
D) Corporate strategy deals with where to compete; business strategy deals with how to compete.

63) Corporate executives at OverFlight Inc. decide to compete in the remote-control drone industry by equipping their drones with the best video cameras available. By doing this, they completed part of their_____ strategy.
A) corporate
B) functional
C) business
D) implementation

64) The former CEO of Sam's Club, a division with its own profit-and-loss responsibility, Rosalind Brewer, reported to Walmart's CEO, C. Douglas McMillon, who as corporate executive oversees Walmart's entire operations. Sam's Club, therefore, is a_____ of Walmart.
A) corporate partner
B) strategic business unit
C) branch office
D) house brand manufacturer

65) The CEO of All Star Corp. has decided to enter the markets of emerging nations like China and Brazil. This means that the books, magazines, and websites published under the Chyron Media banner would be made available in these nations. Which of the following strategies does this scenario best illustrate?
A) corporate strategy
B) functional strategy
C) business strategy
D) divisional strategy

66) As a part of strategy formulation, a firm's functional strategy primarily concerns questions relating to
A) where to compete.
B) when to compete.
C) how to implement business strategy.
D) how to enter target markets.

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67) In a large company, who is most responsible for devising the corporate strategy?
A) the CEO of the company
B) the lower-level employees in the company
C) the head of the production department in the company
D) the human resource manager in the company

68) Which of the following statements is true of business strategy?
A) Its objective is to increase the overall company value to make it higher than the sum of the individual business units' value.
B) It must be able to create synergies across business units that are quite different.
C) It is implemented within the standalone business units of a larger conglomerate.
D) Corporate executives at headquarters formulate it.

69) All Foods is the parent company of several chain restaurants offering a variety of cuisines. The top management at All Foods has decided to enter the frozen foods industry based on its assessment of the profit potential in that industry. Which of the following strategies does this best illustrate?
A) corporate strategy
B) business strategy
C) functional strategy
D) divisional strategy

70) Due to political instability in the country of Bajukistan, the strategic leaders at the headquarters of Maxim Industries have decided to close all production facilities in the country until stability returns. Maxim's managers have formulated a_____ strategy.
A) business-level
B) divisional-level
C) functional-level
D) corporate-level

71) Who among the following is responsible for making business strategies in a large conglomerate?
A) the board of directors at the headquarters
B) the shareholder of the company
C) the lower-level employees in the company
D) the general managers of strategic business units

72) Meiko has been tasked with formulating the business strategy for LaFrance Beauty's new line of skin rejuvenating cream. Which of the following ideas would Meiko be likely to include in her proposal?
A) Open kiosks in shopping centers located in developing countries with rising disposable incomes.
B) Promote the cream as the only one on the market with a new miracle enzyme.
C) Invest in increasing social media posts about LaFrance products.
D) Reorganize the manufacturing division to gain efficiency.

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73) EverMart Inc. is a large company that sells a variety of products such as cosmetics, jewelry, frozen foods, navigation electronics, and airplanes. Apart from this, the company also has a strong presence in the service industry through its chain of dance studios, casinos, and nightclubs. Each of its product divisions operates as an individual business and is responsible for its own profits and losses. Thus, these product divisions under EverMart can be referred to as
A) limited liability companies.
B) functional departments.
C) strategic business units.
D) corporations.

74) Which of the following strategies best illustrates a generic business strategy?
A) a cost-cutting strategy that corporate executives in the headquarters want all business units of a large conglomerate to implement
B) a strategy to use monetary incentives to motivate employees working on a project
C) a decision to computerize a firm's database in order to improve customer service
D) a decision to niche market the jewelry sold by a company while the apparel division under the same company sells its products through mass marketing

75) TransNational Inc. is a large conglomerate that operates in 17 different countries. The corporate executives at the headquarters have decided that the company's objective for the next two years will be to increase its customer equity, or the value of potential future revenues generated by all its customers in a lifetime. Based on this guideline received from the top management team, the product leader of the home audio division has decided to adopt a cost-leadership strategy in all of his 17 units. Thus, the decision made by the product leader best illustrates a_____ strategy.
A) corporate
B) functional
C) grand
D) business

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76) To implement specific business strategies, general managers of strategic business units rely on
A) external stakeholders.
B) corporate executives.
C) strategic leaders.
D) functional managers.

77) Strategies developed at the departmental level, such as the customer service, human resources, procurement, and sales departments, within a strategic business unit are referred to as_____ strategies.
A) professional
B) functional
C) corporate
D) business

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78) The distribution department at Wheat, Barley and Whey Corp. has decided to adopt the FIFO (first in, first out) method of inventory to dispatch its bags of wheat. Which of the following strategies does this scenario best illustrate?
A) functional strategy
B) corporate strategy
C) master strategy
D) business strategy

79) What is the strategic management process?
A) The CEO decides who the product managers will be for a company.
B) The CEO defines the main problems facing a company.
C) Strategic leaders design a method to formulate and implement strategy.
D) Strategic leaders focus on creating a vision that reflects the company's strategy.

80) In the top-down strategic planning approach, all strategic intelligence and decision-making responsibilities rest primarily on the
A) functional managers.
B) chief executive officer.
C) external stakeholders.
D) general manager.

81) A traditional top-down strategic planning process typically begins with
A) employees at the operational level identifying problems within an organization.
B) functional managers formulating functional strategies for their respective departments.
C) strategic leaders adjusting a company's vision and mission based on environmental analysis.
D) employees who have close contact with customers taking autonomous actions.

82) Which of the following is an assumption that top-down strategic planning rests on?
A) We can predict the future from the past.
B) Time cannot be compressed at will.
C) Decisions made in the past do not affect our future.
D) Change is constant.

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83) Chandani is the founder of a firm producing self-driving vehicles. Because the industry is so new and chaotic, Chandani favors a top-down strategic planning approach in which she exerts strong control over all aspects of the business, from product development and design to manufacturing and marketing. What is wrong with this scenario?
   A) The self-driving vehicle industry is changing too much for the top-down approach to be effective.
   B) The top-down approach can only be applied to specific business functions.
   C) The top-down approach leaves other employees uncertain about their roles in the company.
   D) The top-down approach is expensive to maintain, leaving the company at a competitive disadvantage.

84) The executives at Dizzy Corp. are developing strategic plans to address plausible future situations like an increase in the prices of cotton and synthetic fabrics by 20 percent, appreciation in the value of the dollar, increase in the cost of labor by 30 percent, and increase in demand for the company's products. By doing so, the company will be well prepared with its planned responses if any of these situations occurs in the future. Thus, Dizzy Corp. is employing_____ as the approach to the development of strategy.
   A) scenario planning
   B) top-down strategic planning
   C) reverse engineering
   D) pattern recognition

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85) A(n)_____ is best described as the strategic option that top managers decide most closely matches the current reality and which is then executed.
   A) bottom-up emergent strategy
   B) executive summary
   C) realized strategy
   D) dominant strategic plan

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86) Strategic thinking is different from strategic planning in that
A) strategic thinking relies more on hard data and statistical analysis than strategic planning.
B) strategic thinking includes all types of information sources while strategic planning does not.
C) strategic thinking is regimented and confining, whereas strategic planning is more flexible.
D) strategic thinking can create an illusion of control, whereas strategic planning avoids this.

87) After carefully assessing the market potential for solar-powered mobile devices, the top-level executives of We Know Inc. decided that the company would be launching a line of solar-powered tablets within the next two years. This would mean that the tablet division would need to immediately begin research and development efforts. Which of the following strategies in the planned emergence model does this best illustrate?
A) intended strategy
B) emergent strategy
C) unrealized strategy
D) tactical strategy

88) Suzi Lau Apparels Inc. (SLA) had been outsourcing its production to less-developed countries in order to reduce its cost of production. With the emergence of its competitor, Linda Inc., SLA lost its competitive advantage. Linda had its production units in its home country that allowed the company to bring out the latest trends to the market earlier than SLA. Also, SLA frequently suffered due to political instability and lack of intellectual property laws in the outsourced countries. Thus, parts of SLA′s strategies became obsolete, and it had to relocate its production. What are such obsolete strategies referred to as in the planned emergence model?
A) intended strategy
B) emergent strategy
C) unrealized strategy
D) tactical strategy

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89) The production head at the All Paints Corp. would frequently stay back after office hours and experiment with new color combinations even though this was part of the new product development team′s job. As a result of these experiments, he came up with two new interior paint colors, foggy morning and mint julep. The new colors proved popular among test groups, and quickly became some of All Paints best-selling products. Which of the following strategies does this scenario best illustrate?
A) intended strategy
B) emergent strategy
C) unrealized strategy
D) tactical strategy

90) The CEO of an app company encourages the firm's employees to suggest possible apps that could be useful in their favorite activities. One of the firm's software designers is inspired by her love of knitting to propose an app that will allow users to photograph an item of clothing, enter their measurements, and then receive a customized knitting pattern. The firm's policy of asking for employee product ideas is best described as a
A) strategic initiative.
B) value chain.
C) supply chain.
D) corrective action.

91) Which of the following statements is true of strategic initiatives?
A) Strategic initiatives can be the result of a response to external trends or come from internal sources.
B) When lower-level employees are less empowered, the possibility of strategic initiatives is higher.
C) Strategic initiatives result from top-down planning by executives and not through a bottom-up process.
D) Random events and accidental happenstances reduce the possibility of strategic initiatives in organizations.

92) Homestyle is a company that manufactures and sells home furniture. It sources its materials from another country to keep costs low. An assembly line worker in one of its manufacturing centers noticed that there was increasing concern regarding the potential toxicity of the flame-resistant materials used in the furniture. In response, she compiled a list of nontoxic flame-resistant materials that the company could use. When her manager learned about this, he presented the prospect and got it approved from the top management team. This is an example of the
A) top-down strategic planning approach.
B) planned emergence approach.
C) scenario planning process.
D) reverse engineering process.

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93) To support the rise of emergent strategies, an organization should
A) centralize decision making and all other activities.
B) empower lower-level employees to take up autonomous actions.
C) limit serendipity that is in the form of random events and accidental happenstances.
D) rely solely on hard data to formulate strategies.

94) Chris is the manager of a graphic design firm, and he relies on a top-down strategic management approach to maintain tight control over the activities of his employees. The company has recently started to lose market share to its more innovative competitors, and Chris wants to encourage his employees to start contributing to the strategy formulation process to make the company more competitive. Which of the following steps should Chris take?
A) Designate Friday afternoons as time for employees to pursue outside interests loosely related to the business.
B) Schedule individual meetings with employees and demand that they come prepared with five ideas.
C) Take an extended vacation and see how the business naturally reorganizes itself in his absence.
D) Allow employees to take whatever approach they feel is appropriate when dealing with customers.

95) Understanding the Resource Allocation Process (RAP) will have large effects on shaping a firm's realized strategy. Which of the following is an example of such an allocation of resources?
A) Starbucks' launch of iced drinks
B) Teach for America's mission statement
C) 3M's discovery that led to Post-it Notes
D) Intel's rule to "maximize margin-per-wafer-start"

96) Top-down strategic planning as an approach to the strategic management process will be most effective when the
A) environment is constantly changing.
B) size of the firm is large.
C) probability of black swan events is high.
D) top management wants to decentralize decision making.

97) The COVID-19 pandemic, the BP oil spill, and the 9/11 terrorist attacks are examples of
A) black swan events.
B) boiling frog scenarios.
C) camel's nose opportunities.
D) purple squirrel discoveries.

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98) Leary's Shoes has sold and repaired shoes and leather goods in a shop in the mall since 1963. For decades, the shop flourished, particularly during holiday shopping seasons when the mall was crowded with shoppers. Ros Leary, the founder's daughter, assumed management of the store when her father retired in the late 1990s. Unphased by the introduction of online shopping and shoe services, Ros believed her customers preferred personal service and would continue buying their shoes in person. However, year by year, the store's sales and profits fell, even when Ros lowered prices, expanded her offerings, and held special sales promotions. What situation describes the contradiction between Ros's beliefs about the shoe business and the evidence she is experiencing?

A) dialectic inquiry
B) devil's advocacy
C) strategic dissonance
D) serendipity

99) What happens when a firm fails to successfully navigate a strategic inflection point?

A) self-reinforcing failure
B) illusion of control
C) dialectic inquiry
D) planned emergence

100) What is the importance of the dissonance gap when a firm encounters a strategic inflection point?

A) The smaller the dissonance gap, the more likely the firm will experience self-reinforcing failure.
B) The greater the dissonance gap, the more difficult it is for the organization to change course.
C) It measures the length of time organizational leaders have to respond to the strategic inflection point.
D) It measures the lag between the strategic inflection point and its negative financial impact.

101) What is a strategic inflection point?

A) the step at which two alternate plans of action are synthesized and a new plan adopted
B) the recognition that a firm's current strategy no longer provides the expected outcomes
C) the moment when the fundamentals of a business and its industry are about to change
D) a random event or pleasant surprise that has a profound impact on a firm's strategic plan

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102) Which of the following answers best explains why addressing strategic inflection points is a difficult leadership challenge?
A) Top-management opinions have coalesced around a leader without individuals critically evaluating and challenging the leader's opinions and assumptions.
B) It calls for a blended strategy in which organizational structure and systems allow both top-down and bottom-up strategic initiatives to emerge for evaluation and coordination.
C) It requires fundamental changes to the firm's strategy, and leaders are often late in comprehending that their belief system is no longer a good fit with the new circumstances.
D) It requires an approach derived from military strategy in which all strategic intelligence and decision-making responsibilities are concentrated in the office of the CEO.

103) At a strategic inflection point, the more the convictions of strategic leaders deviate from reality,
A) the more difficult it is to change course.
B) the more likely it is the firm will be successful.
C) the easier it is to capitalize on the opportunity.
D) the smaller the dissonance gap.

104) Colton is exploring multiple suppliers in order to find the best price. However, instead of calling all eight potential suppliers, he only reaches out to the first three and bases his selection on those instead of contacting all suppliers. Colton's action best describes the concept of
A) satisficing.
B) optimal decision making.
C) the illusion of control.
D) escalating commitment.

105) Constraints such as time or the brain's inability to process large amounts of data that prevent us from appropriately processing and evaluating each piece of information we encounter are known as
A) strategic limitations.
B) confirmation biases.
C) cognitive limitations.
D) cognitive biases.

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106) Friendly's was a popular restaurant chain that served breakfast all day and specialized in classic, homestyle meals. This menu attracted customers of all ages, from retirees to families with young children. Greta Friend, the CEO of the company, wanted to increase profits, so she instructed her executive team to update the menu, refashion the décor, and appeal to upscale professionals. Knowing her success at building the Friendly's brand, the team trusted her ability to define Friendly's strategy and praised her innovative concepts for updating the brand. Among the changes, the new menu replaced the all-day breakfast with alcoholic drink specials, and metal bistro tables replaced the cozy, high-backed booths. Sales decreased dramatically after the innovations were introduced, and many longtime customers stopped coming to the restaurant. What cognitive bias led the management team into making these decision-making errors?

A) confirmation bias
B) reason by analogy
C) escalation of commitment
D) groupthink

107) Two product development teams at NextTech Inc. are using a devil's advocacy decision framework to make strategic decisions regarding rollout of the company's new products. Team 1 favors introducing new products only in the spring and fall. Team 2 questions the assumptions behind the timing of product rollout and points out things that might go wrong. What will happen in the final step of the process?

A) The teams will agree on a course of action.
B) Each team will pursue one of the options.
C) A synthesis of the two plans will be adopted.
D) The teams will critique each other's plans.

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108) The two detailed courses of action generated in Step 1 of the dialectic inquiry decision framework are known as

A) System 1 and System 2.
B) thesis and antithesis.
C) assonance and dissonance.
D) point and counterpoint

109) Which of the following is a decision framework in which two teams each generate a detailed but alternate plan of action, with a goal, if feasible, of achieving a synthesis between the two plans?

A) decision tree
B) DACI model
C) dialectic inquiry
D) devil's advocacy

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SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.

110) Define strategic leadership.

111) Explain the role of power in the strategic leadership process.

112) What does the upper-echelons theory propagate?

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113) Briefly describe the Level-5 leadership pyramid.

114) Who formulates a company's corporate strategy? What is the objective of this strategy?

115) What is a strategic business unit (SBU)? Explain with an example.

116) What is the drawback in top-down strategic planning?

117) What makes scenario planning more flexible than top-down strategic planning?

118) What are the arguments against top-down strategic planning and scenario planning?

119) Differentiate between a firm's intended, realized, and emergent strategies.

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120) Why is it important for a business to have a vision?

121) How does a mission statement differ from a firm's vision?

122) What are customer-oriented vision statements? Explain with the help of an example.

123) Why is it better for firms to keep their vision statements customer-oriented rather than product-oriented?

124) Define organizational core values with the help of an example.

125) What functions do strong ethical values serve?

126) Why is it important for top management of a company to show commitment and involvement toward organizational values?

127) Why is addressing strategic inflection points a difficult leadership challenge? Describe two difficulties faced by leaders confronted with this challenge.

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128) Define cognitive biases, and then give an example of a cognitive bias and how it can affect decision making.

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129) Describe the key characteristics of System 1 and System 2 thinking and briefly discuss how these two systems affect decision making.

130) Describe devil's advocacy and dialectic inquiry as frameworks for strategic decision making.

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Answer Key

Test name: Chapter 02

1) TRUE
Executives whose vision and decisions enable their organizations to achieve competitive advantage demonstrate strategic leadership.

2) FALSE
Strategic leaders spend 67% of their time in face-to-face meetings. They consider face-to-face meetings most effective in getting their message across and obtaining the information they need.

3) FALSE
The upper-echelons theory favors the idea that effective strategic leadership results from innate abilities *and* learning. By mastering each level of the Level-5 leadership pyramid, an employee can learn to become an effective strategic leader.

4) FALSE
It is helpful to break down strategy formulation and implementation into three distinct areas—corporate, business, and functional.

5) TRUE
Under its co-founder and longtime CEO, Steve Jobs, Apple was one of the few successful tech companies using a top-down strategic planning process. Jobs felt that he knew best what the next big thing should be. In contrast, an emergent strategy describes any unplanned strategic initiative bubbling up from deep within the organization.

6) TRUE
Serendipity describes random events, pleasant surprises, and accidental happenstances that can have a profound impact on a firm's strategic initiatives.

7) FALSE
A firm's resource-allocation process (RAP) determines the way it allocates its resources and can be critical in shaping its realized strategy. Emergent strategies can result from a firm's resource-allocation process (RAP).

8) TRUE
Organizational core values are the ethical standards and norms that govern the behavior of individuals within a firm or organization.

9) FALSE
Employees tend to follow values practiced by their leaders. They closely observe top managers' day-to-day decisions and quickly decide whether those leaders are merely paying lip service to the company's stated values. Organizational core values must be lived with integrity, especially by the top management team.

10) FALSE
System 1 is the brain's default mode. It is fast, which leads to "snap judgments." It is efficient and automatic.

11) TRUE

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Strategy formulation concerns the choice of strategy in terms of *where* and *how* to compete. In contrast, strategy implementation concerns the organization, coordination, and integration of *how work gets done*.

12) TRUE
A vision captures an organization's purpose and aspiration and spells out what the organization ultimately wants to accomplish. An effective vision suffuses the organization with a sense of purpose and motivates employees at all levels to aim for the same target, while leaving room for individual and team contributions.

13) TRUE
A mission describes what an organization does and *how* it proposes to accomplish its vision. The mission is often introduced with the preposition *by*.

14) TRUE
Customer-oriented vision statements allow companies to adapt to changing environments because they focus employees on thinking about how best to solve a problem for consumers. In contrast, *product-oriented* vision statements often constrain this ability.

15) C
Strategic leaders can draw on position power based on their authority—for example, as chief executive officer (CEO) or draw on informal power, such as persuasion, to influence others when implementing strategy. As the CEO of the company she founded, Gina holds position power, which she used to establish a new policy affecting remote workers.

16) A
Cognitive limitations tend to lead us to choose the "good enough option" that satisfies our immediate needs, rather than to search for an optimal solution.

17) A
Escalating commitment occurs when decision makers continue to support and invest in a project despite receiving feedback that it is unlikely to succeed.

18) A
Confirmation bias is the tendency of individuals to search for information that confirms their existing beliefs. When confronted with evidence that contradicts these beliefs, they either ignore the evidence or interpret it such that it supports their beliefs.

19) A
In scenario planning, managers envision what-if scenarios and prepare contingency plans that can be called upon when necessary.

20) A

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Customer-oriented vision statements allow companies to adapt to changing environments and are not limited to specific products.

21) C
This defines strategic management is.

22) A
Employees in visionary companies tend to feel that they are part of something bigger than themselves. An inspiring vision provides a greater sense of purpose and helps employees find meaning in their work beyond mere monetary rewards.

23) B
The values espoused should guide employees on how to behave in accomplishing the goals of the firm.

24) A
There are three steps in the strategic management process: analysis, formulation, and implementation.

25) C
Representativeness refers to the cognitive bias of drawing conclusions based on small samples, or even from one memorable case or anecdote.

26) A
Technique that can help to improve strategic decision making; key element is that two teams each generate a detailed but alternate plan of action (thesis and anti-thesis). The goal, if feasible, is to achieve a synthesis between the two plans.

27) A
It depends. The effectiveness of vision statements differs by type. Customer-oriented vision statements allow companies to adapt to changing environments. Product-oriented vision statements often constrain this ability. This is because customer-oriented vision statements focus employees to think about how best to solve a problem for a consumer.

28) D
An effective vision suffuses the organization with a sense of purpose and motivates employees at all levels to aim for the same target.

29) D
A vision is a statement about what an organization ultimately wants to accomplish; it captures the company's aspiration. Wendy Kopp, founder of Teach for America, declared the organization's vision to be "One day, all children in this nation will have the opportunity to attain an excellent education." By developing this vision, she helped to attract promising college graduates and get them interested in teaching. Klopp's vision attempts to inspire the best and brightest young professionals to contribute to society by becoming teachers.

30) A
The first step to gain and sustain a competitive advantage is to define an organization's vision, mission, and values. With these principles in place, strategic leaders consider how to formulate strategy across different levels: corporate, business, and functional.

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31) C
"All people should have access to food and fibers produced using sustainable farming methods" would make an appropriate vision statement for Agro Ecology, Inc. An effective vision talks about what an organization ultimately wants to accomplish; it captures the company's aspiration.

32) A
Building on the vision, organizations establish a mission, which describes what an organization actually does—that is, the products and services it plans to provide, and the markets in which it will compete. "We help place vulnerable animals in safe, loving homes by connecting shelter and rescue agencies with vetted adopters" would make an appropriate mission for Home for Good.

33) B
An inspiring vision provides a greater sense of purpose and helps employees find meaning in their work beyond mere monetary rewards. People have an intrinsic motivation to make the world a better place through their contributions. In turn, this motivation, which inspires individual purpose, can lead to higher organizational performance.

34) A
To be effective, firms need to back up their visions and missions with strategic commitments; that is, credible actions that are costly, long-term-oriented, and difficult to reverse.

35) C
Strategic commitments are actions that are costly, long-term-oriented, and difficult to reverse.

36) B
An effective vision suffuses the organization with a sense of purpose and motivates employees at all levels to aim for the same target while leaving room for individual and team contributions. Therefore, all employees at Nuke It being motivated to make the best microwaves ovens on the market reflects a strong vision. Also, a vision captures an organization's aspiration and spells out what it ultimately wants to accomplish. In addition, it helps employees find meaning in their work.

37) A
A vision defines what an organization wants to accomplish ultimately. A mission describes how the vision is accomplished.

38) A
A mission describes what an organization does; it defines how the vision is accomplished and is often introduced with the preposition by. Deep Earth Gardening's mission statement does not indicate how the company will achieve its goal of helping to place a garden at every home, and is thus more suited as a vision statement.

39) D

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Because of its goals, ComfyShoe would choose a product-oriented vision statement, which focuses employees on improving existing products and services without consideration of underlying customer problems to be solved.

40) D
A customer-oriented vision statement focuses employees to think about how best to solve a problem for consumers.

41) C
Customer-oriented visions tend to be more flexible when adapting to changing environments.

42) A
A product-oriented vision defines a business in terms of a good or service provided. Product-oriented visions tend to force managers to take a myopic view of the competitive landscape.

43) D
Companies that have customer-oriented visions tend to be more flexible when adapting to changing environments. In contrast, companies that define themselves based on product-oriented statements tend to be less flexible and thus more likely to fail.

44) D
Customer-oriented vision statements allow companies to adapt to changing environments. Product-oriented vision statements often constrain this ability. A vision based on helping address customer needs is thus more likely to produce a sustainable competitive advantage.

45) C
A positive relationship between vision statements and firm performance is more likely to exist when: the vision is customer oriented, internal stakeholders are invested in defining a purpose-driven vision, and organizational structures such as compensation systems align with the firm's vision.

46) C
A positive relationship between vision statements and firm performance is more likely to exist when: the vision is customer oriented, internal stakeholders are invested in defining a purpose-driven vision, and organizational structures such as compensation systems align with the firm's vision. By eliminating half of its customer service staff, Total Coverage has severely reduced its capacity to address customer needs. This new organizational structure does not align with the vision to help customers build a customized package of policies to cover all their needs.

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47) A
Organizational core values are the ethical standards and norms that govern the behavior of individuals within a firm or organization. By lowering engine emissions below what federal laws require, Emerald Autos is acting on an ethical standard and thus an organizational value.

48) B

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Strong ethical values and norms have two important functions. First, they underlie the vision statement and provide stability to the strategy, laying the groundwork for long-term success. Second, once the company is pursuing its vision and mission in its quest for competitive advantage, they serve as guardrails to keep the company on track.

49) A
Progress's core values are best reflected in the decision to demand that all members of the supply chain exhibit a similar concern with the environment and human rights. If the company did not enforce these standards among its suppliers, its products would not comply with the company's stated values, and Progress would be vulnerable to other ethical lapses and negative public attention.

50) D
Equal pay for comparable work for all employees, regardless of gender, is an organizational value. The management of Venture Manufacturing showed a commitment to this value by increasing the salary of many female employees.

51) D
Organizational core values are the ethical standards and norms that govern the behavior of individuals within a firm or organization.

52) B
Without the commitment and involvement of strategic leaders, any statement of values is merely a public relations exercise. Employees tend to follow the values practiced by their leaders. They closely observe top managers' day-to-day decisions and quickly decide whether those leaders are merely paying lip service to the company's stated values.

53) C
Organizational values help individuals make choices that are both ethical and effective in advancing the company's goals.

54) A
In this scenario, Sarah has demonstrated strategic leadership. Strategic leadership pertains to executives' use of power and influence to direct the activities of others when pursuing an organization's goals.

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55) D
Strategic leadership refers to executives' use of power and influence to direct the activities of others when pursuing an organization's goals.

56) C

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Strategic leadership pertains to executives' use of power and influence to direct the activities of others when pursuing an organization's goals. Power is defined as the strategic leader's ability to influence other organizational members to do things, including things they would not do otherwise. Maria's ability to influence the behavior of the marketing department to target a new, underserved customer segment enables Apps4U to achieve a competitive advantage.

57) C
Upper-echelons theory is a conceptual framework that views organizational outcomes, including strategic choices and performance levels, as reflections of the values of the top management team, who interpret situations through the lens of their unique perspectives. The values of the CEO of EveryCar influenced organizational outcomes, specifically making affordable vehicles that could be bought by low-income households.

58) D
Pablo is currently at Level 2 of the Level-5 leadership pyramid. The Level 2 manager masters the skills required at Level 1 but is also a contributing team member who works effectively with others to achieve team objectives.

59) B
Malik has reached Level 4 of the Level-5 leadership pyramid so far. At Level 4, the effective Level 3 manager becomes a leader who determines what the right decisions are. The Level 4 manager effectively communicates a compelling vision and mission to guide the group toward superior performance. They "do the right things."

60) B
Desiree, the CEO of Pelletier LLC., is a Level 5 manager in the Level-5 leadership pyramid. In the Level-5 leadership pyramid, the Level 5 manager reaches a leadership pinnacle, turning into a strategic leader. An effective strategic leader is an executive who builds enduring greatness through a combination of willpower and humility.

61) D
At Level 5, the strategic leader builds enduring greatness by combining willpower and humility. This implies that a Level-5 executive works to help the organization succeed and others to reach their full potential. Even though Jared's division has exceeded expectations over the past three years, the fact that some of his employees feel that they are stagnating suggests that he has not mastered the capabilities necessary to be a Level-5 executive.

62) D
Corporate strategy concerns questions relating to where to compete in terms of industry, markets, and geography. Business strategy concerns the question of how to compete.

63) C

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Business strategy concerns the question of how to compete, either through cost leadership, differentiation, or value innovation. By using the best video cameras available, OverFlight, Inc. is differentiating its product from the products made by its competitors.

64) B
Strategic business units, or SBUs, are the standalone divisions of a larger conglomerate, each with its own profit-and-loss responsibility. Sam's Club is an SBU of Walmart.

65) A
The given scenario of All Star Corp. describes a corporate strategy. Corporate strategy concerns questions relating to where to compete (industry, markets, and geography). Corporate executives at headquarters formulate corporate strategy.

66) C
As a part of strategy formulation, functional strategy concerns the question of how to implement business strategy.

67) A
Corporate executives at headquarters formulate corporate strategy. Corporate executives need to decide in which industries, markets, and geographies their companies should compete.

68) C
Business strategy occurs within strategic business units (SBUs), the standalone divisions of a larger conglomerate, each with profit-and-loss responsibility. General managers in SBUs must answer business strategy questions relating to *how to compete* to achieve superior performance. Within the guidelines from corporate headquarters, they formulate an appropriate generic business strategy—cost leadership, differentiation, or value innovation—in their quest for competitive advantage.

69) A
Corporate executives at headquarters formulate corporate strategy. They need to formulate a strategy that can create synergies across business units that may be quite different, and they determine the firm's boundaries by deciding whether to enter specific industries and markets and sell certain divisions.

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70) D
Corporate executives at headquarters formulate corporate strategy. They need to formulate a strategy that can create synergies across business units that may be quite different, and they determine the firm's boundaries by deciding whether to enter specific industries and markets and sell certain divisions.

71) A
General managers in strategic business units (SBUs) must answer business strategy questions relating to how to compete to achieve superior performance.

72) B

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Business strategy concerns the question of how to compete. Three generic business strategies are available: cost-leadership, differentiation, and value innovation. By suggesting that LaFrance market its new products as having the latest discovery, Meiko is pursuing a differentiation strategy.

73) C
These product divisions under EverMart can be referred to as strategic business units (SBUs). Business strategy occurs within strategic business units, the standalone divisions of a larger conglomerate, each with its own profit-and-loss responsibility. General managers in SBUs must answer business strategy questions relating to how to compete to achieve superior performance.

74) D
A decision to niche market the jewelry sold by a company while the apparel division under the same company sells its products through mass marketing is an example of a generic business strategy. Business strategy occurs within strategic business units, or SBUs, the standalone divisions of a larger conglomerate, each with its own profit-and-loss responsibility. Within the guidelines received from corporate headquarters, they formulate an appropriate generic business strategy (cost-leadership, differentiation, or innovation) in their quest for competitive advantage.

75) D
The given decision made by the product leader best illustrates a business strategy. General managers in strategic business units must answer business strategy questions relating to how to compete in order to achieve superior performance. Within the guidelines received from corporate headquarters, they formulate an appropriate generic business strategy (cost-leadership, differentiation, or innovation) in their quest for competitive advantage.

76) D
To implement specific business strategies, general managers rely on functional managers, who are responsible for decisions and actions within a single functional area. Each strategic business unit has various business *functions,* such as accounting, human resources, procurement, product development, manu-facturing, marketing, sales, and customer service.

77) B
Within each strategic business unit are various business functions, such as accounting, human resources, procurement, product development, manufacturing, marketing, sales, and customer service. Each functional manager is responsible for decisions and actions within a single functional area.

78) A

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The distribution department of Wheat, Barley and Whey Corp. has decided to implement a functional strategy. Within each strategic business unit are various business functions, such as accounting, human resources, procurement, product development, manufacturing, marketing, sales, and customer service. Each functional manager is responsible for decisions and actions within a single functional area.

79) C
The strategic management process is a method put in place by strategic leaders to formulate and implement a strategy.

80) B
Top-down strategic planning is a rational, top-down process through which executives attempt to program future success. In this approach, all strategic intelligence and decision-making responsibilities are concentrated in the office of the CEO.

81) C
In a traditional top-down strategic planning process, strategic planners provide detailed analyses of internal and external data and apply them to all quantifiable areas: prices, costs, margins, market demand, head count, and production runs. Based on a careful analysis of these data, top managers reconfirm or adjust the company's vision, mission, and values before formulating corporate, business, and functional strategies.

82) A
Top-down strategic planning rests on the assumption that the future can be predicted from the past. This approach works reasonably well when the environment does not change much.

83) A
Top-down strategic planning rests on the assumption that we can predict the future from the past. The approach works reasonably well when the environment does not change much. Because the self-driving vehicle industry is new and constantly changing, the top-down approach might leave the company unable to quickly and effectively respond to new developments and challenges.

84) A
Scenario planning asks "what if" questions. Like top-down strategic planning, scenario planning starts with a top-down approach to the strategy process. Top management envisions different scenarios to anticipate plausible futures and to derive strategic responses.

85) D
The dominant strategic plan is the strategic option that top managers decide most closely matches the current reality and which is then executed.

86) B

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Critics of top-down and scenario planning argue that strategic planning is not the same as strategic thinking. In fact, they argue that strategic planning processes are often too regimented and confining, and the processes lack the flexibility needed for quick and effective response.

87) A
Top-level executives design an intended strategy—the outcome of a rational and structured, top-down strategic plan.

88) C
At times, parts of a firm's intended strategy fall by the wayside because of unpredictable events and turn into unrealized strategy.

89) B
This scenario best illustrates an emergent strategy. An emergent strategy describes any unplanned strategic initiative bubbling up from deep within the organization. If successful, emergent strategies have the potential to influence and shape a firm's strategy.

90) A
A strategic initiative is any activity a firm pursues to explore and develop new products and processes, new markets, or new ventures.

91) A
Strategic initiatives can come from anywhere. They can emerge as a response to external trends or come from internal sources. In other words, strategic initiatives can be the result of top-down planning by executives, or they can emerge through a *bottom-up process* (or both).

92) B
This scenario exemplifies a planned emergence approach. A planned emergence is a strategy process in which organizational structure and systems allow bottom-up strategic initiatives to emerge and be evaluated and coordinated by top management. In the strategy-as-planned-emergence approach, strategic initiatives can come from anywhere within a firm.

93) B
Successful emergent strategies are sometimes the result of autonomous actions by lower-level employees.

94) A
Strategic leaders that want to create a work environment in which autonomous actions and serendipity can flourish often provide time and resources for employees to pursue other interests. In the strategy-as-planned-emergence approach, however, executives still need to decide which of the bottom-up initiatives to pursue and which to shut down.

95) D

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By changing the tasks the resources in the firm were working on at the middle and lower levels, Intel's decision to set up guidelines for production priorities yielded an emergent strategic shift into microprocessors and out of DRAM (dynamic random-access memory) chips. Intel was able to pursue a strategic transformation due to the way it set up its resource allocation process. In a sense, Intel was using functional-level managers to drive business and corporate strategies in a bottom-up fashion.

96) B
In a slow-moving and stable environment, top-down strategic planning might be the most effective approach. Besides the rate of change, a second dimension is firm size. Larger firms tend to use either a top-down strategic planning process or scenario planning.

97) A
The COVID-19 pandemic, the BP oil spill in the Gulf of Mexico, and the 9/11 terrorist attacks are examples of black swan events. Black swan events are considered to be highly improbable and thus unexpected, but when they do occur, each has a profound impact.

98) C
When a firm's static fit no longer matches competitive realities, strategic dissonance emerges. Strategic dissonance is present when a firm's current strategy no longer provides the expected outcomes. Here, as in Ros Leary's attempts to boost sales, old models of competing for advantage no longer work.

99) A
If the firm fails to navigate a strategic inflection point, the result will be self-reinforcing failure.

100) B
The greater the dissonance gap, the more difficult it is to change course.

101) C
A strategic inflection point is a turning point in determining the future of company; the moment when the fundamentals of a business and its industry are about to change.

102) C
Addressing strategic inflection points is a difficult leadership challenge because they require fundamental changes to the firm's strategy. Formulating and implementing a new strategy at a strategic inflection point is made even more challenging by the fact that company leaders are often late in comprehending that their cognitive dissonance is not due to faulty information about reality. Instead, it results because their belief system is no longer a good fit with the new circumstances.

103) A

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At a strategic inflection point, the more the convictions of strategic leaders deviate from reality, the larger the dissonance gap. The greater the dissonance gap, the more difficult it is to change course.

104) A
The theory of bounded rationality posits that rather than optimizing when we are faced with decisions, we tend to "satisfice"—a portmanteau of the two words *satisfy* and *suffice*.

105) C
Constraints such as time or the brain's inability to process large amounts of data that prevent us from appropriately processing and evaluating each piece of information we encounter are known as cognitive limitations.

106) D
Groupthink is a situation in which opinions coalesce around a leader without individuals critically evaluating and challenging that leader's opinions and assumptions. The Friendly's management team did not challenge the CEO's mistaken assumption that changing the menu, décor, and target market of the restaurant would increase its profitability.

107) A
In the final step of the devil's advocacy framework, both teams agree on a course of action. The entire process frequently takes place under the supervision of a higher-level executive or executive team.

108) B
The two detailed courses of action generated in Step 1 of the dialectic inquiry decision framework are known as thesis and antithesis.

109) C
The decision framework in which two teams each generate a detailed but alternate plan of action, with a goal, if feasible, of achieving a synthesis between the two plans is called dialectic inquiry.

110) Short Answer
Strategic leadership refers to executives' use of power and influence to direct the activities of others when pursuing an organization's goals.

111) Short Answer
Power is defined as the strategic leader's ability to influence other organizational members to do things, including things they would not do otherwise. Strategic leaders can draw on position power based on their authority, for example, as chief executive officer (CEO), as well as informal power, such as persuasion to influence others when implementing strategy.

112) Short Answer

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According to the upper-echelons theory, organizational outcomes, including strategic choices and performance levels, reflect the values of the top management team (the individuals at the upper levels of an organization). According to the theory, strategic leaders interpret situations through the lens of their unique perspectives, which are shaped by their personal circumstances, values, and experiences. Their leadership actions reflect characteristics of their education and career experiences, as filtered through personal interpretations of the situations they face. The upper-echelons theory favors the idea that effective strategic leadership results from innate abilities *and* learning.

113) Short Answer
According to the Level-5 leadership pyramid, effective strategic leaders go through a natural progression of five different levels. Each level builds on the previous one; the manager can move on to the next level of leadership only when the current level has been mastered. The five levels are: highly capable individual, contributing team member, competent manager, effective leader, and executive.

114) Short Answer
Corporate executives at headquarters formulate corporate strategy. Corporate executives need to decide in which industries, markets, and geographies their companies should compete. They need to formulate a strategy that can create synergies across business units that may be quite different, and they determine the firm's boundaries by deciding whether to enter specific industries and markets and sell certain divisions. They are responsible for setting overarching strategic objectives and allocating scarce resources among different business divisions, monitoring performance, and making adjustments to the overall portfolio of businesses as needed. The objective of corporate-level strategy is to increase overall company value to make it higher than the sum of the individual business units' value.

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115) Short Answer
Student answers may vary.

Business strategy occurs within strategic business units, or SBUs, the standalone divisions of a larger conglomerate, each with profit-and-loss responsibility. Companies can be organized on a geographic or a product basis to form SBUs. An example of an SBU would be the automobile division of a large conglomerate that also manufactures and sells pharmaceuticals, apparel, consumer electronics, and other such products.

116) Short Answer

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Top-down strategic planning rests on the assumption that we can predict the future from the past. The approach works reasonably well when the environment does not change much. One major shortcoming of the strategic planning approach is that we simply cannot know the future. Strategic leaders' visions of the future can be downright wrong; unforeseen events can make even the most scientifically developed and formalized plans obsolete. Thus, many companies are now using a more flexible approach in their strategic management process.

117) Short Answer
Like top-down strategic planning, scenario planning is a top-down approach to the strategy process. In addition, in scenario planning top management envisions different scenarios, to anticipate plausible futures and to derive strategic responses. The goal is to create a number of detailed and executable strategic plans. These plans allow the strategic management process to be more flexible and more effective than the more static strategic planning approach with one master plan.

The circular nature of the scenario-planning model allows for continuous interaction among analysis, formulation, and implementation. Through this interactive process, managers can adjust and modify their actions as new realities emerge. The interdependence among analysis, formulation, and implementation also enhances organizational learning and flexibility.

118) Short Answer
Critics of top-down and scenario planning argue that strategic planning is not the same as strategic thinking. In fact, they argue the strategic planning processes are often too regimented and confining, and the processes lack the flexibility needed for quick and effective response. Leaders engaged in a more formalized approach to the strategy process may succumb to an illusion of control, which refers to managers' inclination to overestimate their ability to control events. Hard numbers in a strategic plan can convey a false sense of security. According to critics of strategic planning, in order to be successful, a strategy should be based on an inspiring vision and not on hard data alone. They advise strategic leaders to focus on all types of information sources, including soft sources that can generate new insights, such as personal experience, deep domain expertise, or the insights of front-line employees.

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119) Short Answer
Top-level executives design an intended strategy—the outcome of a rational and structured, top-down strategic plan. An emergent strategy describes any unplanned strategic initiative bubbling up from the bottom of the organization. If successful, emergent strategies have the potential to influence and shape a firm's strategy. A firm's realized strategy is generally a combination of its top-down strategic intentions and bottom-up emergent strategy.

120) Short Answer

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A company's vision captures its aspirations. An effective vision suffuses the organization with a sense of purpose and motivates employees at all levels to aim for the same target while leaving room for individual and team contributions. Employees in visionary companies tend to feel that they are part of something bigger than themselves. An inspiring vision provides a greater sense of purpose and helps employees find meaning in their work beyond mere monetary rewards. People have an intrinsic motivation to make the world a better place through their contributions. In turn, this motivation, which inspires individual purpose, can lead to higher organizational performance. To provide meaning for employees in pursuit of the organization's ultimate goals, vision statements should be forward-looking and inspiring.

121) Short Answer
Although the terms *vision* and *mission* are often used interchangeably, they are different: A vision defines what an organization wants to be, and what it wants to accomplish ultimately. A vision begins with the infinitive form of a verb (starting with to). In contrast, a mission describes what an organization does and how it proposes to accomplish its vision. The mission is often introduced with the preposition *by*.

122) Short Answer
Student answers may vary.

A customer-oriented vision defines a business in terms of providing solutions to customer needs. For example, "We are in the business of providing solutions to professional communication needs."

123) Short Answer
Companies that have customer-oriented visions tend to be more flexible when adapting to changing environments. In contrast, companies that define themselves based on product-oriented statements tend to be less flexible and thus more likely to fail. The lack of an inspiring need-based vision can cause the long-range problem of failing to adapt to a changing environment.

124) Short Answer

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Student examples will vary. A sample answer follows.

Organizational core values are the ethical standards and norms that govern individuals' behavior within a firm or organization. The values espoused by a company provide answers to the question, "how do we accomplish our goals?" They help individuals make choices that are both ethical and effective in advancing the company's goals. For instance, Teach for America (TFA) has a set of core values that focus on transformational change through team-based leadership, diversity, respect, and humility. These values guide TFA corps members in their day-to-day decision making, aiding each corps member in making ethical and value-based decisions in teaching environments that can often be challenging and stressful.

125) Short Answer
Strong ethical values have two important functions. First, they underlie the vision statement and provide stability to the strategy, laying the groundwork for long-term success. Second, once the company is pursuing its vision and mission in its quest for competitive advantage, they serve as guardrails to keep the company on track.

126) Short Answer
Organizational core values must be lived with integrity, especially by the top management team. Without the commitment and involvement of strategic leaders, any statement of values is merely a public relations exercise. Employees tend to follow the values practiced by their leaders. They closely observe top managers' day-to-day decisions and quickly decide whether those leaders are merely paying lip service to the company's stated values. Unethical behavior by strategic leaders is like a virus that spreads quickly throughout an entire organization. It is imperative that strategic leaders set the example of ethical behavior by living their firm's core values.

127) Short Answer
Addressing strategic inflection points is a difficult leadership challenge because they require fundamental changes to the firm's strategy. Formulating and implementing a new strategy at a strategic inflection point is made even more challenging because company leaders are often late in comprehending that their cognitive dissonance is not due to faulty information about reality. Another difficulty is that financial results often lag, and the company does not feel a negative impact until much after a strategic inflection point.

128) Short Answer

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Student answers may vary.
Cognitive biases are obstacles in thinking that lead to systematic errors in decision making and interfere with rational thinking. One such bias is escalating commitment, a cognitive error that occurs when decision makers continue to support and invest in a project despite receiving feedback that it is unlikely to succeed. In these situations, significant time and financial resources have already been committed to the project. Rather than ignoring the prior resources already spent (that is, the sunk costs) and shut the project down, which would be the rational decision, the strategic decision makers commit more resources to a failing course of action. The most rational approach would be to ignore the sunk costs and consider any future decisions with a clean-slate approach. Although this approach may seem counterintuitive, it is the most rational approach when making strategic decisions. Nonetheless, managers may be reluctant to use this approach because of loss aversion; they feel that they need to recover the investments already made.

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129) Short Answer
System 1 is the brain's default mode. It is fast, unconscious, and automatic. System 2 is logical, analytical, and deliberate. It is slow, conscious, and effortful. System 1 decisions are often "snap judgments" that are error prone with a higher likelihood of biases. System 2 decision making is used for complex, analytical decisions. These decisions are more reliable, with a lower likelihood of biases.

130) Short Answer
Devils' advocacy involves a separate team or individual carefully scrutinizing a proposed course of action by questioning and critiquing underlying assumptions and highlighting potential downsides. In this framework, a proposal is revised and then critiqued again with both teams ultimately agreeing on a course of action under the supervision of a higher-level executive. In contrast, dialectic inquiry involves two teams each generating a detailed course of action—known as the thesis and anti-thesis. These proposed courses of action are then debated and presented to higher-level decision makers who may take one of three courses of action: adopt neither proposal, adopt one of the proposals, or adopt a synthesis that includes aspects of both proposals.

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CHAPTER 2

Strategic Leadership: Managing the Strategy Process

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Teacher's Resource Manual: Implementation Guide

This **Teacher's Resource Manual (TRM)**, supports delivery of your chosen curriculum and pedagogy. This manual contains more than just guidance on how to cover concepts discussed in the sixth edition of *Strategic Management*; it also provides tips and best practices for how to utilize the full product suite (from the textbook to SmartBook® to Connect®). In addition, this manual includes a variety of supplemental teaching resources to enhance your ability to create an engaging learning experience for your students. Regardless of whether you teach in face-to-face traditional classrooms, blended (flipped) classrooms, online environments, or hybrid formats, you'll find everything you need in this improved resource.

The TRM follows the order of the textbook outline for each chapter and is divided into sections for each learning objective. Each section identifies the relevant PowerPoint slides from both the Lecture slides and the Supplemental Lecture slides (more on this below). This eases your preparation time for class as you can adjust slides as needed to ensure your students stay actively engaged throughout each session.

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WHAT INSTRUCTOR RESOURCES ARE AVAILABLE?

Within each section of the TRM you will find an assortment of examples, exercises, Connect® assignments, updates on the latest research, Strategy Smart Video discussions, and discussion questions and exercises from which you can choose to enhance your students' learning and engagement.

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Within the Connect® Library, you will find the following:

In the **Test Builder** tab, you can create tests from the Test Bank that can be printed or administered within your LMS.

In the **Instructor Resources**, you can access all of the following items:

- Teacher's Resource Manual
- PowerPoints (Accessible)
- Application-Based Activities' accompanying Teaching Notes
- Create™ Case Support
- MiniCase Support
- Sample Syllabi
- Video Library
- Capsim's Capstone Simulation and Capsim IM
- Image Bank (for your customized PowerPoints)

1) This **Teacher's Resource Manual** is posted by chapter.

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2) Two sets of ADA-accessible **PowerPoints** are available with each chapter:
    a. *Lecture* slides cover chapter concepts and exhibits.
    b. *Supplemental Lecture* slides cover:

        i. Chapter Cases
        ii. Strategy Highlights
        iii. Implications for Strategic Leaders
        iv. Strategy Smart Video selections (not part of the book, but an additional resource found here)
        v. Key Terms

3) **Test Bank** questions, found in the Library tab entitled **Test Builder**, are posted by chapter. You will find a variety of question types within the test bank such as Matching, Ranking, Multiple Choice, Select-All-That-Apply, True/False, Short Answer, and Essays to test student mastery across Bloom's Taxonomy (i.e. Understand, Apply, and Analyze).
4) **Create™ Case Support** (all cases are available in Create™ and selected ones in HBP)
    a. A *case matrix* that identifies the industry sector covered by each case, as well as the primary and secondary chapter alignments
    b. One-page *case abstract* for quick overview of each case
    c. *Case Teaching Notes* for instructor use only
    d. *Case Financials* in Excel files for the exhibit data in the most popular cases
    e. *Case Strategic Financial Analysis* template
    f. Instructions on *How to Download SEC Financial Data into Excel Spreadsheets*
5) **MiniCase Support** (all MiniCases are located in Part Four of the book)
    a. *MiniCase Teaching Notes* comprising suggested answers to the MiniCase discussion questions. In some instances, they also provide specific additional article and video resources to accompany each MiniCase.
6) **Video Resources,** located in the *Video Library,* provide links to supplemental video resources to accompany both the MiniCases and full-length Create™ cases, as well as links to all of the assignable videos in Connect®.
7) A link to ***Capsim's Capstone Simulation*** and a ***Capsim Instructor's Manual*** correlated to *Strategic Management* is provided; this simulation allows students to apply their knowledge of key strategy concepts.

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HOW CAN SMARTBOOK® ENHANCE MY STUDENTS' PERFORMANCE?

SmartBook® is assignable through Connect®, McGraw Hill's online assignment and assessment system. One of the first fully adaptive and individualized study tools designed for students, it creates a personalized learning experience, giving students the opportunity to practice and challenge their understanding of core strategy concepts. The reporting tools within SmartBook® show where students are struggling to understand specific concepts.

Typically, SmartBook® is assigned by module (chapter), and instructors can set which learning objectives to cover as well as the number of probes the student will see for each assignment. Instructors also set the number of points a SmartBook® module is worth in the course. Usually, applying a minimal number of points for completion of each module is enough to encourage students to read the chapter. Many instructors assign these modules to be completed *before* the class or online session.

SmartBook® provides several diagnostic tools for instructors to gauge which concepts their students struggle to understand. Below is the set of adaptive assignment reports available in SmartBook®:

- Progress Overview: View student progress broken down by module.
- Student Details: View student progress details plus completion level breakdown for each module.
- Module Details: View information on how your class performed on each section of their assigned modules.
- Practice Quiz: This gives you a quick overview of your students' quizzes results.
- Missed Questions
- Metacognitive Skills

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By selecting "Module Details" the instructor finds the results for the students in the class overall. These details reveal where in the chapters students might be struggling. The module gives the chapter section, average time spent, average questions per student correct/total, and the percentage of correctness (number of assigned items). Information about the most challenging sections for students can help instructors refine the focus of the next classroom or online session.

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For more detailed analysis, SmartBook® captures students' confidence in their competency using the "Metacognitive Skills" report. Below (a recreation of the Metacognitive Skills report), we find the second student is confident and mostly correct (91% in the correct & aware column) while the first student "doesn't know what they don't know" (39% in the far-right column).

STUDENT	CORRECT and AWARE	CORRECT and UNAWARE	INCORRECT and AWARE	INCORRECT and UNAWARE
Student 1	61%	0%	0%	39%
Student 2	91%	0%	3%	5%
Student 3	81%	0%	0%	19%
Student 4	83%	0%	0%	17%
Student 5	76%	0%	3%	21%
Student 6	66%	0%	9%	25%
Student 7	77%	0%	3%	20%
Student 8	91%	0%	2%	7%
Student 9	93%	0%	2%	5%
Student 10	70%	0%	6%	25%

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APPLICATION EXERCISES, QUIZZES, AND TEST BANK

What resources are available at the book level?

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Connect® offers a wealth of content for both students and instructors. **Application Exercises** require students to apply key concepts to close the *knowing* and *doing* gap, while providing instant feedback for the student and progress tracking for the instructor. Before getting into chapter-level assignments, let's look at the book-level assignments available.

Four exercises are available for instructors to assign beyond the chapter materials. These are 1) MiniCase Case Analyses, 2) Case Exercises, 3) Financial Ratio Reviews, and 4) MyStrategy exercises. *The Financial Ratio Reviews and MyStrategy exercises comprise our new Student Primer in Connect.*

1) To encourage analytical thinking, each MiniCase from Part Four of the book is also an assignable application exercise (**MiniCase Case Analysis**). Each MiniCase is followed by four to five multiple-choice questions that assess students' understanding of the key issues presented in the MiniCase.
2) **Case Exercises** focus on the key symptoms and influences of a problem a firm might be facing, followed by a series of questions that help students understand how the firm eventually achieves a solution to that problem (or asks students to suggest a solution).

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3) **Financial Ratio Reviews** give students the opportunity to further hone their financial analysis skills; review exercises cover each type of financial ratio (activity, leverage, liquidity, market and profitability).
4) **MyStrategy** exercises for each chapter provide direct personal applications of strategy concepts to careers and lives to help students internalize the content.

What resources are available for each chapter and how should I integrate them in my course?

Consider assigning one or two Application Exercises per chapter. They are built around chapter learning objectives, so the instructor can choose based on their focus for each specific chapter. Several types of application exercises are available in each chapter. The newest additions are our **Animated Videos**, comprising three- to four-minute videos on key concepts or concepts that tend to challenge students the most. Each animation is accompanied by three to four multiple-choice questions to check student attention and comprehension. Comprehensive **Case Analyses** and our new **On-Location Video Cases** feature firms and industries different than those discussed in the textbook and provide relevant, topical information for students. Finally, **Click-and-Drag** exercises help students actively demonstrate their understanding of the associated learning objectives. Application Exercises can be assigned as preparatory exercises due ***before*** class (this is especially good for flipped classrooms), or ***after*** class as concept comprehension checks. Applications Exercises will generally be assigned as homework or practice as part of the overall class grade. A general rule of thumb would be to make application exercises worth 5 to 10 points each since these require time and thought.

To find the Applications in Connect®, go to "Add Assignment" and then select "Question Bank." Application Exercises are organized by chapter. Instructors have the option to select for one attempt only, but they may want to give students unlimited or multiple attempts on the first few assignments to give students a chance to learn and navigate the system. (As the course progresses, instructors may want to tighten up the time on task and reduce the number of attempts to complete each exercise).

Chapter **quizzes** and full chapter **test banks** are available for assignment, and like the Application Exercises, are organized by chapter. The value applied to each question should be relatively low because numerous questions are usually assigned for each chapter. As such, make these questions worth 1 or 2 points each. The feedback given to students is time-flexible. Selecting feedback to be displayed ***after*** the assignment due date helps to keep students from giving the correct answers to other students while the questions are still available. For this reason, it is suggested that no feedback to quizzes and test bank exams be made available until after the assignment is due.

When should I assign these digital components?

To fully utilize the power of the digital components, instructors will often assign the SmartBook® reading and adaptive learning probes ***before*** class meets. Application Exercises can be completed either before or after class; if they are completed before class, they can sometimes serve as good springboards for class discussions. The chapter quiz makes a good check on comprehension of the material and may work best if assigned ***after*** each class period. The test bank serves as a good resource for building mid-term or final exams.

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More detailed information on SmartBook® and Connect® is available through several resources at McGraw Hill. A good starting point is your local Learning Technology Representative, who can be found here:
http://www.mheducation.com/highered/platforms/connect/features-educators.html

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COURSE PREPARATION

Helpful Suggestions Regarding Assignment Policies: Connect® gives instructors a wide array of flexibility in making assignments and creating grading policies. Instructors may choose to:

- assign as many assignments as appropriate given the level and time commitment expected for the class,
- determine point values for each question/application that works within the total course percentages,
- make available multiple attempts per assignment with options of accepting the *highest* score or *averaging* all the attempts together (several attempts are particularly good for homework assignments),
- deduct points for *late* assignment submissions (percentage deduction per hour/day/week/etc.) or create hard deadlines thus accepting *no* late submissions,
- show feedback on application/questions immediately upon submission **or** at the time the assignment is due for the whole class, create new assignments or questions from scratch, or edited versions from a variety of provided resources.

Throughout the TRM for each chapter, we will **integrate** materials from the Lecture PowerPoint slides, Supplemental Lecture slides, Connect® Application Exercises, and MiniCases. This integration of resources will allow for a cohesive presentation of the relevant resources at your disposal, helping you to convey these topics effectively and efficiently to your students.

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CHAPTER 2

Learning Objectives

LO 2-1 Explain the role of strategic leaders and what they do.

LO 2-2 Outline how you can become a strategic leader.

LO 2-3 Compare and contrast the roles of corporate, business, and functional managers in strategy formulation and implementation.

LO 2-4 Describe the roles of vision, mission, and values in a firm's strategy.

LO 2-5 Evaluate the strategic implications of product-oriented and customer-oriented vision statements.

LO 2-6 Justify why anchoring a firm in ethical core values is essential for long-term success.

LO 2-7 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence, identifying the pros and cons of each.

LO 2-8 Explain the causes of strategic dissonance and how to navigate strategic inflection points.

LO 2-9 Describe and evaluate the two distinct modes of decision making.

LO 2-10 Compare and contrast devil's advocacy and dialectic inquiry as frameworks to improve strategic decision making.

In this chapter, we examine the role of strategic leaders in the creation of competitive advantage. We will investigate the daily activities and capabilities of strategic leaders. We will cover how they guide the strategy process across different layers of large organizations. We will investigate the need for an organization to define its vision, mission and values as the first step in the strategic management process.

We will also spend some time on three different frameworks used to develop strategy. We discuss each framework's pros, cons, and the best environments where they can be applied. Next, we will explore two distinct types of strategic decision making. Finally, we will discuss the implications for leaders in enacting a well-designed strategic management process.

A chapter opening case on Facebook's transition into Meta and two strategy highlights are included in the chapter for tangible applications of the theoretical frameworks discussed.

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Text Chapter Contents

ChapterCase 2: Facebook Becomes Meta

2.1 Strategic Leadership (LO 2-1, LO 2-2, LO 2-3)

CONNECT® INTEGRATION
Case Analysis: Strategic Leadership: Formulating Strategy Across Levels

CONNECT® INTEGRATION
Multiple Choice: The Role of a Strategic Leader

2.2 Vision, Mission, and Values (LO 2-4, LO 2-5. LO 2-6)

Strategy Highlight 2.1: Teach for America: Inspiring Future Leaders

CONNECT® INTEGRATION
Whiteboard Video: The Role of Mission, Vision, and Values in Strategic Management

CONNECT® INTEGRATION
Matching: Strategic Implications of a Vision Statement

CONNECT® INTEGRATION
Multiple Choice: Ethical Core Values

2.3 The Strategic Management Process (LO 2-7)

Strategy Highlight 2.2: Starbucks CEO: "It's Not What We Do"

CONNECT® INTEGRATION
Case Analysis: Planned Emergent Strategy at 3M

CONNECT® INTEGRATION
Video Case: Putting Strategic Planning into Practice at HumanGood

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2.4 Strategic Decision Making (LO 2-8, LO 2-9, LO 2-10)

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Multiple Choice: Strategic Decision Making

2.5 Implications for Strategic Leaders

ChapterCase 2 / Part II

CONNECT® INTEGRATION

Comprehension Case: ChapterCase—Facebook Becomes Meta

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Chapter Teaching Resources

SECTION	Title	RESOURCE TYPE
CHAPTERCASE 2	**Facebook Becomes Meta**	
	Facebook Changes Company Name to Meta	Web Video Interview
2.1: Strategic Leadership		
	What Is a Leader?	Stanford Video
	"Performance with a Purpose"	Fortune Video Interview
	Ethical/Social Issues: FB Leadership	TRM Extra
	Strategic Leadership: Formulating Strategy Across Levels	Connect® Case Analysis
	The Role of a Strategic Leader	Connect® Multiple Choice
	MiniCase 2: Microsoft: Satya Nadella Hits Refresh	Rothaermel Textbook
2.2: Vision, Mission, and Values		
	Leadership in Focus	Stanford Resources
	Strategic Implications of a Vision Statement	Connect® Matching
	Small Group Exercise: Non-Profit Vision Statements	TRM Extra
	Ethical Core Values	Connect® Multiple Choice
	The Role of Vision, Mission, and Values in Strategic Management	Connect® Whiteboard Video
	Ethical/Social Issues: Vision/Mission Statements	TRM Extra
2.3: The Strategic Management Process		
	Small Group Exercise: Black Swan responses	TRM Extra
	Planned Emergent Strategy at 3M	Connect® Case Analysis

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	Putting Strategic Planning into Practice at HumanGood	Video Case
	Small Group Exercise: Planned Emergence Thought Experiment	TRM Extra
	MiniCase 2: Microsoft: Satya Nadella Hits Refresh	Rothaermel Textbook
	Shell's New Lens on the Future	Shell Corporation Website
2.4: Strategic Decision Making	Strategic Decision Making	Connect® Multiple Choice
2.5: Implications for Strategic Leaders	The Role of a Strategic Leader	Connect® Multiple Choice
	Good to Great Video	Nordic Business Forum
	ChapterCase: Facebook Becomes Meta	Connect® Comprehension Case

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Overview of the Chapter

2.1 Strategic Leadership

Strategic leadership pertains to an executive's use of ***power*** and ***influence*** to direct the activities of others. The skills, activities and insight determine the success or failure of leaders and the companies that they lead. Exhibit 2.1 depicts how CEOs ***spend their days***. In answering the question how a person becomes a strategic leader, ***upper-echelons theory*** asserts that effective leadership is the result of ***innate abilities*** and ***training***. Exhibit 2.2 details the different capabilities of leaders on the ***Level-5 Pyramid***. Critical to strategic formulation and implementation involves an understanding of the questions that must be answered at the ***corporate***, ***business, and functional*** levels. The ChapterCase explores the ***Strategic Leadership*** of Mark Zuckerberg and Sheryl Sandberg at Facebook.

2.2 Vision, Mission, and Values

The first step in the ***strategic management process*** is to define the ***vision, mission,*** and ***values*** of an organization. The first two can be thought of as answering the "what" and "how." The third explores the social framework that governs the first two. Strategy Highlight 2.1 discusses how Teach For America pursues an ***inspiring vision***. Vision statements can either be ***customer-oriented*** or ***product-oriented***. Sustained competitive advantage is more likely to be created in the customer-oriented environment. While ***mission statements*** often express lofty goals, to achieve competitive advantage, a company's commitments must be guided by the fundamentals of ***value creation***. Finally, it is imperative that strategic leaders set the example by living their firm's ***core values***.

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2.3 The Strategic Management Process

This section deals with three approaches to the strategic management process – ***top-down strategic planning, scenario planning,*** and ***strategy as a planned emergence***. The top-down approach derives from ***military strategy***. This approach assumes that the future can be predicted from the past. ***Unforeseen events*** can make the most carefully developed plans obsolete. In scenario planning, a firm's leaders develop different scenarios to anticipate ***plausible futures***. Exhibit 2.7 shows the ***feedback loop*** required to adapt the AFI Framework in a scenario planning environment. The scenario planning approach still suffers from the ***black swan event***—dealing with the impact of a highly improbable event. However, by having considered a range of scenarios, the organization may have created the capabilities and flexibility to quickly respond to the unexpected. The final approach seeks to combine a ***top-down intended strategy*** with a ***bottom-up emergent strategy***. Exhibit 2.8 illustrates this approach within the AFI Framework. The concept of an emergent strategy describes an ***unplanned strategic initiative*** developed within the organization. The origins of such initiatives may be ***autonomous actions***, ***serendipity***, or ***resource-allocation processes***. Exhibit 2.9 summarizes these three approaches in a compare and contrast format.

2.4 Strategic Decision Making

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When a firm's static fit no longer matches competitive realities, ***strategic dissonance*** emerges. This dissonance stems from the misfit between a firm's current strategy and a changing competitive environment and can signal that the firm is at a critical junction where dramatic changes are about to occur. This ***strategic inflection point*** is a moment when the fundamentals of a business and its industry are about to change. Addressing these strategic inflection points is a difficult leadership challenge that can require deep changes to firms' existing strategies.

In order to understand how leaders respond to these challenges, we need to better understand decision-making. We like to believe we make rational decisions based on data and facts. However, ***the theory of bounded rationality*** suggests that we tend to ***satisfice*** rather than optimize. Said another way, ***cognitive limitations*** lead us to choose the ***"good enough option."*** Strategic decisions are frequently made using ***rules of thumb***—much of the problem relates to a ***wealth of information but a scarcity of attention***. Using the lens of theory and frameworks on this information allows managers to make better, faster strategic decisions. Exhibit 2.11 describes the attributes and likely results of two ***systems of decision making*** that have emerged from research in ***behavior economics***. The key advantage of ***System 2 or slower process***, comes from reducing the likelihood of ***cognitive biases***.

The section concludes with two methods to improve strategic decision making: ***Devil's Advocacy*** and ***Dialectic Inquiry***. These are examined in Exhibit 2.12 and 2.13 respectively. Under the first approach, a single course of action is generated and then critically reviewed by an independent team. In the Dialect Inquiry approach, the two separate teams develop an independent course of action—this approach tends to promote a broader examination of alternatives.

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2.5 Implications for Strategic Leaders

Strategic leaders are those executives whose ***vision*** and ***decisions*** enable an organization to create or sustain a ***competitive advantage***. These leaders must develop and follow an effective ***strategic management process*** that can respond with ***strategic flexibility*** to meet changing customer needs and the external environment. They must create a culture in which all employees feel invested in and inspired by the firm's ***vision*** and ***mission***. The executives must understand and incorporate the processes and interdependencies described in the ***AFI Framework***. The strategic leaders must use the information available to make effective decisions.

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Classroom Outline

ChapterCase 2
Facebook Becomes Meta

The opening ChapterCase discusses the fact that following Facebook's announcement that it would become Meta, it lost $550 billion in its stock market valuation (approximately 50% of its entire value). Did Mark Zuckerberg and the other strategic leaders at Facebook make the right decision?

INSTRUCTOR SUPPLEMENT SLIDE 3

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STRATEGY SMART VIDEO EXAMPLE

INSTRUCTOR SUPPLEMENT SLIDE 17

A three-minute video about the small businesses that use Facebook to grow their business, Sandberg on boosting jobs with Facebook.

ChapterCase 2 Part II

The closing ChapterCase provides extended information on the Meta's name change and their current performance and reputation crisis.

ChapterCase 2 Discussion Questions

1. **What challenges (as detailed in ChapterCase 2 Part 1 and Part II) is Meta Platforms facing? How should Mark Zuckerberg deal with each of them? List the challenges and make specific recommendations for addressing them.**

Based on the ChapterCase, many of the problems challenging Meta arise from privacy concerns within the user community and throughout society in general. In addition to changing their strategic focus to the metaverse, Meta is still dealing with several crises that predate the name change. The Sandberg-led initiative to combat slowing growth focused on greater engagement with the advertising community. However, the expansions of for-fee services to advertisers have resulted in situations in which outside organizations, e.g., Analytica (aka Cambridge Analytica), have been able to access private data without the knowledge or consent of users; users have fallen victim to a spate of "fake news" postings substantially undermining the confidence in new content; and the company possibly inadvertently abetting the attempts of foreign organizations to impact the U.S. election cycle. Recently, whistle blowers have directed attention to the harmful effects of Meta's products and services on children and teenagers. In order to resolve these challenges, Meta needs to re-establish the confidence of its user community while maintaining or evolving its revenue model.

2. **Compare and contrast the strategic leadership of Mark Zuckerberg and Sheryl Sandberg (who stepped down as Meta's COO in 2022, while remaining on the board of directors). Which qualities for each strategic leader stand out to you, and why? Where would you place each individual on the Level-5 pyramid for strategic leaders (see Exhibit 2.2), and why? Is either of them an effective strategic leader? Explain your answers.**

Students may well disagree on this question, but one could argue that Mark Zuckerberg places on level three of the pyramid: Competent Manager. In the early days of Facebook he assembled an extraordinary team of developers who were able to deliver features and functions rapidly which attracted the large user base. The addition of Sheryl Sandburg, arguably an Effective Leader (Level 4) brought the vision and mission focus needed to achieve superior performance, e.g., monetization of the platform. A key

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question remains whether Zuckerberg has the leadership ability to continue to steer Meta amidst its many crises and growing criticism.

3. **Given an alleged leadership crisis at Meta Platforms, should Mark Zuckerberg be replaced? Why or why not? Explain your answers.**

This is a discussion that covers the current problems regarding issues of privacy of user data and the evolution of the "news delivery" aspect of the platform. In order to achieve a sustained competitive advantage in the current environment, Facebook must be able to assure users that their privacy is not being compromised, that they can have a level of "trust" on the accuracy of information presented on the platform and that Facebook can achieve these trust objectives while maintaining (expanding) the company's revenue growth. It can be argued that Zuckerberg has been tainted by past pragmatic decisions.

Discussion Topics

Facebook has taken the whole issue of "fake news" and foreign backed election related news and events much more seriously now that the company found evidence of Russian groups using the platform to set up over 60 protests on both sides of divisive issues leading up to the 2016 U.S. presidential election. (See *WSJ* "Russian-Backed Facebook Accounts Staged Events Around Divisive Issues,") Facebook, along with Google and Twitter testified to the U.S. Congress in fall 2017 about Russian election related activity on their digital platforms. (See *WSJ* article "Tech Giants Disclose Russian Activity on Eve of Congressional Appearance.") Conclusive actions are still under consideration by the firms and also the U.S. government in moving forward to prevent or mitigate foreign intrusion in future U.S. elections. Facebook CEO Zuckerberg has appeared before Congress again in 2019. In October he was supposed to discuss the firm's move into cryptocurrency (Libra) but many of the Congressional questions were still related to privacy and fake news issues which continue to afflict the firm. (See *WSJ* article "Facebook's Zuckerberg Faces Lawmakers Over Cryptocurrency.")

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2.1 STRATEGIC LEADERSHIP

LO 2-1 Explain the role of strategic leaders and what they do.

Lecture Slides 3–14

Examples

You may want to open the topic of strategic leadership with a discussion about what a leader is. A video case that could be used to start that discussion is "What Is a Leader?" with Col. Gayle Colvin, U.S. Air Force, from Stanford Leadership in Focus.

Indra Nooyi, CEO of PepsiCo explains her passionate and personal reasons for driving the "Performance with a Purpose" strategy in this three-minute video interview. With respect to the Level-five pyramid of strategic leadership, she would be located at or very near the top of it. Nooyi has proven to have superior interpersonal, informational, and decisional skills. She has also proven to be capable not only of guiding a company the size of PepsiCo for over a decade, but also of steering it toward a significantly different

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goal and convincing the organization to follow through by guiding with example and conviction. (Strategy Highlight 5.1 covers this topic also as part of the discussion on triple bottom line leadership).

LO 2-2 Outline how you can become a strategic leader.

You may want to give the students a deeper understanding of what the Level-5 leadership pyramid means for their own careers. You might describe it thus: Taken together, you become an effective and ethical leader by sequentially mastering each of the five steps in the strategic leadership pyramid. Your training in college allows you to become a highly capable individual who can make productive contributions. If you take a first job immediately after your undergraduate degree, you will likely begin your corporate career in a functional area that was your focus or major in college (e.g., accounting, operations management, marketing, finance). As you move down the learning curve through group work in college and on-the-job training, you develop the ability to work effectively with others to achieve team objectives. With these skills, you move to Level-2 leadership. As responsibilities come to you, you will be able to develop and demonstrate the ability to organize resources efficiently and effectively to achieve strategic objectives. At Level 3, you have become an effective manager—someone who produces results. Levels 4 and 5 require a stronger element of strategic leadership than the prior levels. When given the chance to work as a general manager (someone who has profit-and-loss responsibility for a unit or group), you will need Level-4 strategic leadership qualities. At Levels 4 and 5, you will have increasingly dramatic opportunities to put to use the AFI framework you've learned from this book: You will need to be able to present a compelling vision and mission to inspire others to achieve superior performance. Doing so requires an intimate understanding not only of the inner workings of your company (Chapters 1 and 2), but also of the external environment. The internal and external analysis concepts (Chapters 3 and 4) will help you lay the foundation to formulate strategies that can improve firm performance (Chapters 5 through 7). Having produced results at the business level, you might be tapped as the CEO of the company. At Level-5 strategic leadership, you need to reconcile a strong will and work ethic (which got you to the top) with the humility to lead a company by example. To do this effectively, you need a deep understanding of corporate-level strategy (Chapters 8 through 10) and organizational design (Chapter 11). You also will need to exhibit unfailing personal integrity (Chapter 12).

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Strategy Smart Video Lecture

Instructor Supplement Slide 15

This slide links to a 2 ½ -minute video of Jim Collins discussing what defines a Level-5 leader: What defines a Level V leader?

Strategic leadership refers to the behaviors and styles of executives that influence others to achieve organizational goals. The three roles of a leader are interpersonal, informational, and decisional. According to the upper-echelons theory, organizational outcomes including strategic choices and performance levels reflect the values of the top management team (the individuals at the upper echelons, or levels, of an organization). The theory states that executives interpret situations through the lens of their unique perspectives, shaped by personal circumstances, values, and experiences. The Level-5 leadership pyramid (Exhibit 2.2) is a conceptual framework that shows leadership progression through

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five distinct, sequential levels. Jim Collins in *Good to Great* found that all the companies he identified as great were led by Level-5 executives.

TEACHER RESOURCE EXTRA:

Ethical/Social Issues

Click here for information on for discussion on issues facing leaders in many firms today.

LO 2-3 Compare and contrast the roles of corporate, business, and functional managers in strategy formulation and implementation.



Case Analysis: Strategic Leadership: Formulating Strategy Across Levels

This case analysis activity starts with a brief case using IBM as an additional example of the different levels of strategy. This complements the book's discussion. The student must read the textbook and also the case provided here. Then, the student will answer related questions following the case.

- ✓ ***Difficulty****: Medium*
- ✓ ***Blooms****: Apply*

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Multiple Choice: The Role of a Strategic Leader

This multiple-choice exercise explains the role of the strategic leader in the overall success of an organization and demonstrates the key behaviors needed to become one. The goal of the exercise is to demonstrate an understanding of why some strategic leaders are successful and why some are not.

- ✓ ***Difficulty****: Medium*
- ✓ ***Blooms****: Apply*

2.2 VISION, MISSION, AND VALUES

LO 2-4 Describe the roles of vision, mission, and values in a firm's strategy.

LECTURE SLIDES 15– 25

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Building a great company has some similarities to building a great house. Using this analogy to start the chapter should resonate for many students. It is a helpful way to introduce the idea of vision and yet still tie it to something tangible that must be implemented (building that great new home).

EXAMPLES

Stanford University's Leadership in Focus center offers great materials for the classroom. Although the emphasis is on leadership and organizational behavior, several of the cases are well suited to a strategy course. One option that fits in well in this section is a video case of Roger Deromedi, former Kraft CEO, describing the process of developing a vision for the firm. (The URL is https://www.leadershipinfocus.net/presentations/212/play/. It includes suggested discussion questions.)

DISCUSSION TOPICS

Chinese companies such as Alibaba, BYD, Tencent, and Lenovo aspire to world leadership. These companies set their ambitious goals when they were only a fraction of the size of the companies they were chasing. Indeed, they were so small that initially the market leaders did not even recognize them as potential competitors; many had never competed outside their domestic markets. Yet all made global leadership their mission, with goals so ambitious they exceeded the firms' existing resources and capabilities by a large margin. Ask students to identify what challenges these firms needed to overcome and how they might measure success.

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Multiple Choice: Ethical Core Values

This exercise addresses the need for corporate social responsibility when conducting a stakeholder impact analysis. The goal of this exercise is to recognize how companies can practice different forms of social responsibility.

- ✓ ***Difficulty**: Medium*
- ✓ ***Blooms**: Apply*

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Whiteboard Video: The Role of Vision, Mission, and Values in Strategic Management

This video reviews the roles of vision, mission, and values in the strategic management and decision processes. The goal of this activity is to demonstrate your understanding of the elements that factor into the strategic decision process.

- ✓ ***Difficulty**: Medium*
- ✓ ***Blooms**: Apply*

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Matching: Strategic Implications of a Vision Statement

This exercise compares and contrasts the strategic implications of product-oriented and customer-oriented vision statements and how a compelling vision statement can lead to organizational success.

✓ ***Difficulty****: Medium*
✓ ***Blooms****: Apply*

Strategy Highlight 2.1
Teach for America: How Wendy Kopp Inspires Future Leaders

Click here for a summary of the Strategy Highlight covering the role of the vision of Teach for America.

INSTRUCTOR SUPPLEMENT SLIDE 5: TEACH FOR AMERICA: HOW WENDY KOPP INSPIRES FUTURE LEADERS

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TEACHER RESOURCE EXTRA:

SMALL GROUP EXERCISE

Click here for a suggested small group activity around a discussion of vision statements in nonprofit organizations.

LO 2-5 Evaluate the strategic implications of product-oriented and customer-oriented vision statements.

Although a product-centric view can potentially limit a company's strategic options, it can also help a company to refocus. Shell Canada provides an example of how dealing with the question, "What are we about?" led to a refocusing of the company and as a consequence, superior performance. Although the majority owner was Royal Dutch Shell, Shell Canada was more or less independent; its shares were traded on the Toronto Stock Exchange. In the 1980s, Shell Canada was a widely diversified business with interests not only in oil and gas exploration and distribution, but also in activities ranging from chemicals to forestry. Although it had performance comparable to the industry average, Shell Canada's executives began to focus on the firm's mission during this time. After some soul searching, the company's managers realized that Shell Canada was at its heart a low-cost producer of oil and gas. With

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this new clarity of mission, Shell Canada began to sell off its peripheral businesses to refocus on oil and gas. By refocusing on oil and gas, Shell Canada was able to apply its core competency to increase the value created for customers, and to do this at a low cost. Its mission statement helped Shell Canada focus on the activities that yielded the greatest returns.

STRATEGY SMART VIDEO LECTURE

INSTRUCTOR SUPPLEMENT SLIDE 19

This slide links to a less than three-minute video of several well-known brands and their respective vision statements. Inspiring Mission statements.

LO 2-6 Justify why anchoring a firm in ethical core values is essential for long-term success.

DISCUSSION TOPICS

What responsibility do lower-level executives at Enron bear for not reporting questionable practices by the firms' leadership? Why do you think only one employee initially came forward to report the irregularities and help with the investigation? Lower-level executives have an ethical responsibility to report questionable practices, beginning by questioning the authority, and moving outside the company if necessary. We don't know how many employees really knew about the fraud underway at Enron versus how many "just heard rumors." Still with over 20,000 employees at Enron, and another 30,000 at Arthur Anderson, it is clear some people knew and did nothing about it. Whistle-blowing is a difficult choice and there are many factors to consider, but the fact that so few came forward says that the actions were in alignment with the values and culture of the firm actually practiced, even if it was at odds with their stated values.

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NOTE: If you're looking for some supplemental material, there's a fantastic podcast episode that explains the Enron scandal: You're Wrong About: Enron (warning: there's some cursing in each episode, but Michael Hobbes and Sarah Marshall are journalists who manage to provide a well-researched and easily understood explanation of some tough topics).

EXAMPLES

You might want to use an example to show that firms with lax ethical values hurt more than their shareholders. Using a giant Ponzi scheme, Bernie Madoff, with the help of several employees in his investment securities firm, defrauded high-profile institutional and individual investors such as the bank HSBC, Banco Santander, Human Rights First, the International Olympic Committee, film producer and CEO of DreamWorks Animation Jeffrey Katzenberg, actor Kevin Bacon, and Nobel Peace Prize winner Elie Wiesel. Madoff's fraud totaled an estimated $65 billion. He was sentenced to 150 years imprisonment and fines of more than $170 billion. ("Q&A on Madoff Case.")

Businesses also have an ability to influence the ethical decisions of other organizations. The recent FIFA scandal offers a great example of this. Corporate sponsors of football (soccer) had not taken action during years of rumors of FIFA corruption, but in 2015 that changed. Coca-Cola, Emirates, Sony, and other firms have used their sponsorship dollars to make a statement about ethics and integrity. (See

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"FIFA Corruptions Scandal Pressures Soccer Governing Body's Sponsors," *The Wall Street Journal*, May 31, 2015.)

A Stanford University video case addresses making ethical decisions. Michael Marks, former Chairman and CEO of Flextronics discusses such a decision in "Right, Wrong, or Just Business?"

2.3 THE STRATEGIC MANAGEMENT PROCESS

LECTURE SLIDES 26–39

LO 2-7 Evaluate top-down strategic planning, scenario planning, and strategy as planned emergence.

EXAMPLES

Top-down strategic planning is typically performed by senior managers and strategy specialists on a 3- or 5-year cycle. The output is usually a detailed book (or PDF file these days) with analysis of current positions and plans for future growth. In scenario planning, critical elements are to create a diverse set of "what if" plans in the formulation stage and then to drive forward with a dominant strategic plan in the implementation phase. Planned emergence is the less formal process that tends to emerge from the "bottom-up" of the organization. The Mintzberg framework reflects the strategy that it may be driven from the top or the bottom of the organization. Exhibits 2.5 and 2.6, show how the AFI framework overlays on the top-down and scenario planning processes respectively. This provides an opportunity to walk through the strategy-making process.

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To conduct successful scenario planning, managers need current information. The network-equipment giant Cisco Systems has invested huge sums in technology to generate just this kind of data. Cisco's senior executives can track daily customer order data from its sales teams around the globe with up-to-the-minute accuracy. Walmart's retired CEO Mike Duke indicates that he too was using real-time sales data tracking, enabling top executives to monitor daily sales of each of the over 8,500 Walmart stores worldwide in real time. With these real-time data systems, managers can identify emerging trends in each region and market segment long before they materialize in financial data. This in turn allows them to fine-tune their functional strategy with unprecedented accuracy and speed.

An unexpected event at the largest rail carrier in the world, Japan Railways, led to diversification from railroads into bottled water using an emergent strategy. Japan Railways was constructing a new bullet train through the mountains north of Tokyo, requiring many tunnels. In one of the mountains, persistent flooding caused huge problems. Engineers responded by drawing up complex plans to drain the water. Meanwhile, workers inside the tunnel were making good use of the water—they were drinking it. A maintenance worker suggested the water should not be pumped away but rather bottled and sold as premium drinking water because it tasted so fresh. Its source was snowpack, purified and filtered in the slow percolation process through the mountain's geological layers and enhanced on the way with healthy amounts of calcium, potassium, and magnesium. Eventually, Japan Railways set up vending machines on 1,000 railroad platforms in and around Tokyo, and home delivery of water, juices, and coffee followed. The employee's proposal had turned an expensive engineering problem into a multimillion-dollar business. Because Japan Railways was willing to define its business as broader than just being in railroads, it was able to capture the emergent strategy and diversify into drinking water. In contrast, given its product-oriented vision to be the safest, most progressive North American railroad, it

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is doubtful that CSR Railroad would have reacted in a similar fashion had it encountered the same serendipitous event.

A functional manager at IBM suggested entry into the emerging life sciences field. She saw a business opportunity for IBM, in which application of high-performance computing and information technology could solve thorny problems that accompanied data-intensive work such as decoding human genomes and furthering personalized medicine. IBM's general and corporate managers supported this strategic initiative, dubbed "information-based medicine." This new business opportunity generated more than $5 billion in revenue a few years later.

Patsy Sherman—Scotchgard—3M: In 1953 researchers at 3M were working with fluorocarbons to be sold as coolant liquid in air conditioning equipment. One of the researchers noticed, after accidentally spilling some coffee on her shoe, that the residue of fluorocarbons turned the coffee into small beads of liquids without staining. After observing this unique experiment Sherman contacted the chemist Sam Smith, and together they began developing a product that could actually repel oil, water, and other residues from fabric. In 1956 the Scotchgard protector was launched. What skills are needed to go from a coffee spill to an idea for a commercial product to meet a consumer need? You might discuss the role of absorptive capacity, deep understanding of customer needs, or intuitive thinking.

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DISCUSSION TOPICS

Scenario planning may become more widely used going forward if the economic, political, and technological forces keep changing rapidly. The global power shift from the West toward Asia would make a good discussion that ties sociopolitical uncertainties to scenario planning. The Russian invasion of Ukraine, COVID-19, and shifts in labor relations (the move towards unionization) may be other interesting topics.

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Working professional students may find the growth in the supply of shale gas to be an interesting area of analysis. Some major areas of uncertainty are (1) whether or not the United States will allow natural gas to be exported to increase demand and (2) the extent to which environmental concerns for freshwater aquifer contamination or earthquake inducement may limit supply. This discussion creates four different scenarios in a 2x2 matrix with different supply/demand balances. Teams could be assigned one of the four quadrants and asked to develop implications for multiple supporting industries (chemical manufacturing, energy-intensive manufacturing, gas transportation, etc.), as well as the gas production firms.

connect INTEGRATION

Case Analysis: Planned Emergent Strategy at 3M

This case and multiple-choice question activity builds student comprehension of the planned emergence form of strategy by examining a case about the development of Post-It Notes by 3M Corporation. The

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student must read the case provided, as well as the relevant textbook section, and answer the related questions in this exercise.

Follow-Up Activity**:** The instructor can expand on the concepts from this case analysis by having students discuss another example of this strategy formation process—this one concerning Starbucks in Strategy Highlight 2.2. There are similarities in corporate culture and personal persistence that are present in both applications of this concept. Class or small group discussions can also be created around the similarities and differences in the three approaches to strategy: strategic planning, scenario planning, and planned emergence. What would the development of Post-It Notes or Frappuccino have looked like using one of the other two approaches?

✓ ***Difficulty****: Medium*
✓ ***Blooms****: Evaluate*



INTEGRATION

Video Case: Putting Strategic Planning into Practice at HumanGood

This case and multiple-choice question activity shows students that strategic planning is important, but putting it into practice can be challenging. The case follows HumanGood, one of the largest owners and operators of senior living communities, and shows how the company's plan can evolve and change over time.

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✓ ***Difficulty****: Medium*
✓ ***Blooms****: Analyze*

TEACHER RESOURCE EXTRA:

SMALL GROUP EXERCISE

Click here for a suggested small group activity around a discussion that covers black swan events.



INTEGRATION

Multiple Choice: Strategic Decision Making

This animated video covers reviews the roles of vision, mission, and values in the strategic management and decision processes. Climbing Mount Everest is a key example discussed as an application of mission, vision, and values.

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✓ ***Difficulty****: Medium*
✓ ***Blooms****: Apply*

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Strategy Highlight 2.2
Starbucks CEO: "It's Not What We Do"

Click here for a summary of the Strategy Highlight covering the use of emergent strategy at Starbucks.

INSTRUCTOR SUPPLEMENT SLIDE 6: STARBUCKS CEO: "IT'S NOT WHAT WE DO"

DISCUSSION TOPICS

There are two key points we like to bring out about in this Strategy Highlight. The first is what type of risks was the store manager taking to offer a drink on the menu after it had been turned down by the executive committee? In some organizations, this would be cause for termination. So not only was the store manager relentless in pursuit of the idea, she may have been putting her job on the line. Second is the idea that the organization must be willing to accept ideas that "emerge," and implement them even if they were not driven by senior leadership. Ask students what conclusions they might draw about how firm culture and processes for experimentation and decision-making authority may impact firm innovation.

Additionally, **MiniCase 2: Microsoft: Satya Nadella Hits Refresh** is a good way to update a discussion of Microsoft and how it is operating under the new leadership of Satya Nadella. Every MiniCase has assignable McGraw Hill Connect® case questions available

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TEACHER RESOURCE EXTRA:

SMALL GROUP EXERCISE

Click here for a suggested small group activity about distributed idea generation, a method to encourage emergent ideas from an organization.

CLASS EXERCISE

Shell predicts that in 2025 most of our energy will continue to be generated from fossil fuels but 20 percent will come from alternative energy sources like wind, solar, and hydropower. Given Shell's past success in using scenario planning, one ought to pay attention to its predictions. Shell can claim several accurate predictions to its credit. In the 1960s, with the price of a barrel of crude oil around $10 (compared to a record high of close to $150 in the summer of 2008), managers at Shell began to formulate strategic plans for a future with a strong OPEC (the cartel of oil-exporting countries) and an accompanying drastic rise in oil prices. When the price of crude oil suddenly surged to over $80 a barrel in the late 1970s, Shell was well-positioned to take advantage of this new situation; other oil companies were scrambling to adjust. Shell activated one of its alternative strategic plans that detailed how to

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obtain crude oil from North Sea drilling, to which the firm had already secured the rights. In the early 1980s, Shell made strategic preparations to take advantage of another apparently far-fetched scenario when it speculated that communism might fail, bringing down the powerful Soviet Union and ending Soviet artificial restrictions on the supply of natural gas. More information is available on Shell's website on the process of scenario planning, its past scenarios, and its projections on renewable energy adoption. Shell's scenarios (Shell's New Lens on the Future) envision the world as it might be in 2100. You might ask small teams of students to brainstorm the implications that these two scenarios have for industries other than the energy industry. For example, the automotive and passenger airline industries are strongly impacted by both fuel supplies/pricing and air quality controls. Other new scenarios focus on envisioning the cities of the future, which might have broader appeal to your students and a global perspective from Los Angeles to Marrakesh, Chongqing, Manila, and Copenhagen.

2.4 STRATEGIC DECISION MAKING

LECTURE SLIDES 40–46

LO 2-8 Explain the causes of strategic dissonance and how to navigate strategic inflection points.

One things students will recognize is the changing nature of business environments. One way that might be salient with students is to discuss the changing popularity/trendiness of social media outlets. Facebook/Meta, Instagram, Twitter, and TikTok have user bases that have changed dramatically in a short amount of time. This introduction will be a good opportunity to pull the ChapterCase 2 information into the discussion. Understanding the challenges that Zuckerberg faces may make it more understandable as to why he is currently focused on the Metaverse. As strategic leaders face these changing environments, they must make decisions of how to proceed. This will provide a good transition into the different types of decision making.

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LO 2-9 Describe and evaluate the two distinct modes of decision making.

In the Chapter Overview, these two modes of decision making were given the short-hand descriptions of "Fast" vs "Slow," in which the second method tended to analyze more data and potentially reduce the impact of cognitive biases. As we dig deeper into these two methods, some items from broader discussion include:

1. The perception that all "important" decisions should be aligned with the "Slow" method. A historical counter-example can be found in the "Tylenol crisis" of 1982. At the time, the Johnson and Johnson product had 37% market share of non-aspirin OTC pain killers. Within days of an outbreak of cyanide poisoning ultimately linked to Tylenol capsules, the company had stopped all production, funded a $100,000 reward for the killer and recalled all Tylenol capsules. Then-CEO James Burke proclaimed that the decision was predicated on the company's credo of the responsibility to the customer.

2. The understanding of the cognitive biases that exist in decision making, but can be mitigated through the second mode (a/k/a "Slow").

   Examples of these biases include:

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- ***Illusion of Control*** – overestimate of the ability to control events.
- ***Escalating Commitment*** – frequently called ***"doubling down"*** – but also a case of "throwing good money after bad."
- ***Confirmation Bias*** – searching for information that confirms existing beliefs while discounting or ignoring contrary data.
- ***Reason by Analogy*** – comparing a complex problem to something familiar without adequately examining the differences.
- ***Representativeness*** – drawing conclusions based on a small set of information without exploring the ways in which the ***sample*** differs from the ***population***.
- ***Groupthink*** – the situation where opinions coalesce around a leader without critical evaluation by individuals.

For group discussion, examine how issues of these cognitive biases play out in "corporate" decisions.

LO 2-10 Compare and contrast devil's advocacy and dialectic inquiry as frameworks to improve strategic decision making.

The concept of "devil's advocacy" intentionally sets up a second person or team to challenge the ideas of a primary team. They thus "advocate" for a change. Many times there is a process to reach agreement by both teams therefore pulling the best of both groups into a final solution. In the dialectic inquiry which evolves out of the philosophy of Plato and is specifically designed to avoid the bias of Groupthink, two teams develop competing courses of action. The two teams compete for the "winning approach" with senior leaders of the organization.

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2.5 IMPLICATIONS FOR STRATEGIC LEADERS

INSTRUCTOR SUPPLEMENT SLIDE 8

The chapter has provided several examples of strategic leadership actions taken at several major corporations. Such leadership when combined with an effective process of managing strategic issues can yield a sustained competitive advantage. Leaders need to consider the relative pace of change impacting the organization as well as stakeholders in designing a successful strategic management process.

STRATEGY SMART VIDEO LECTURE

INSTRUCTOR SUPPLEMENT SLIDE 14

This slide links to a 2-minute video of Jim Collins describing his 25 years of research in contrasts looking for what makes organizations great in all types of situations. Good to Great Video

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Strategy Highlights

Strategy Highlight 2.1
Teach for America: How Wendy Kopp Inspires Future Leaders

In this strategy highlight, education is a subject most students will readily relate to. An example of an organization with an inspiring vision is Teach for America. While some question the long-term effectiveness of Ivy League students teaching in blighted urban areas or impoverished rural areas for two years, there is no doubt that the organization is quite successful in terms of its ability to recruit a large pool of applicants each year and to generate passion. One of the interesting notes at the website is that the program has over 62,000 alumni and some 80 percent remain in careers impacting lower income communities—these alumni are following careers not only in education but also in law, health care, nonprofit, or policy. Inspiring visions and missions (such as TFA's) provide intrinsic motivations for employees and customers alike.

Strategy Highlight 2.2
Starbucks CEO: "It's Not What We Do"

This strategy highlight discusses an example of an Emergent Strategy: Diana, a local store manager, held a firm belief that an iced drink had a place in the Starbucks menu. Despite a champion to present the idea to the executive committee, it was firmly rebuffed. The local champion was undeterred and offered the drink on her store's menu. The product became the Starbucks Frappuccino. How is this an example of an Emergent Strategy and at what points could it have "gone wrong?"

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connect **INTEGRATION**

Comprehension Case: ChapterCase—Facebook Becomes Meta

Here, we provide both Parts 1 and 2 of this case, accompanied by short-answer questions that students can complete and submit. Due to the nature of these open-ended questions, they require manual grading.

- ✓ ***Difficulty****: Medium*
- ✓ ***Blooms****: Apply*

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INSTRUCTOR SUPPLEMENT SLIDE 10: HOW MUCH ARE YOUR VALUES WORTH TO YOU?

Here, we encourage the student to take what they have learned about competitive advantage and apply it to his/her personal career. Encourage students to spend a few minutes looking at themselves to discover their own competitive advantages.

1. **Identify your personal values. How do you expect these values to affect your work life or your career choice?**

These questions are meant to be personal, but we offer a few thoughts on them. Values should play some part, but they are not likely to be the most important influence. If your only goal is to become head of a large company, market growth and expansion may become a high priority. However, success can be found in many places, and it is usually more important to find a company with good leadership (firm effects) than to worry solely about market growth (industry effects).

2. **How much less salary would (did) you accept to find employment with a company that is aligned with your values?**

Studies have shown that once workers get above a certain "pay the bills" space financially, intrinsic rewards often become more important than money. We have found a wide variance of answers when we have run this exercise in our classes.

3. **How much are you willing to "pay for pay" if your dream job is in management consulting or investment banking?**

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Encourage students to consider work/family life balance and recognize the implications of long hours and extensive travel that usually accompany high-paying jobs.

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Discussion Questions

1. **The chapter discusses several strategic leadership issues at Facebook. Several other firms are also noted in the chapter with some positive and some negative leadership results. Choose a firm mentioned in the chapter and discuss current controversial issues it faces. How should strategic leaders address the major issues you identified? In what situations is top-down planning likely to be superior to bottom-up emergent strategy development?**

There are many organizations and industries that have little susceptibility to major disruptions. One example would be electric utilities such as Georgia Power. The majority of changes in year to year environment are fairly readily projected— changes in peak demand, utilization and supply costs can be predicted within tolerances. The need for updates to physical plant tend to follow predictable timetables. However, even in these environments, wild cards do exist —consider the impact of wildfires on PG&E

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in northern California or the power outages in Texas. Could better top-down planning have prevented PG&E from filing for bankruptcy in 2019?

2. **This chapter introduces three levels appropriate for strategic considerations (see Exhibit 2.3). In what situations would some of these levels be more important than others? For example, what issues might be considered by the corporate level? How should the organization ensure the proper attention to each level of strategy as needed?**

The "Where, How, Implementation" questions can be quite useful to help students think about a particular strategic decision and which level of strategy it represents. A balance of the strategic levels is difficult and can be an area where many companies falter. In larger organizations, the strategic responsibilities will reside in different individuals and teams. This helps assure that no level is completely neglected, but it doesn't address the appropriate mix of strategic levels. Some organizations have implemented a periodic review of strategies at all levels of the firm to try to assess the health of the overall company and its business models.

Students may be more familiar with functional and business-level strategies from their own work experiences. Functional areas can develop many great ideas on how to implement business and corporate strategies. Given a supportive organizational climate, these areas can also produce emergent strategies. Relative importance is often based on external factors. When Lou Gerstner came to IBM and started to refocus the firm on services rather than hardware, the corporate strategy and transition was preeminent. Many of the business-level strategies—for example, in hardware-focused SBUs—were likely abandoned. On the other hand, when Microsoft rolls out Bing and partners with Facebook, Google's business-level strategies will be most important in figuring out how to compete in this changed online search environment

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3. **The "job to do" approach discussed with the Clayton Christensen milkshake example can be useful in a variety of settings. Even when we are the customers ourselves, sometimes we don't look for better solutions because we get into routines and habits. Think about a situation you sometimes find frustrating in your own life or one you hear others complaining about frequently. Instead of focusing on the annoyance, can you take a step back and look for the real job that needed doing when the frustration occurred? What other options can be developed to "do the job" that may lead to less irritation in these situations?**

Many firms are started because the founder saw a problem and a potential solution. Kinko's, Spanx and Uber are but three disparate examples. Students will often have complaints about traffic, parking, or cafeteria food. Each of these has potential to lead to new ideas. For example, E-scooters are one solution to try to help with a local traffic issue when the "job" is to transport one person and a backpack to classes. Perhaps we don't need to bring the whole car just for that.

4. **In what situations is top-down planning likely to be superior to bottom-up emergent strategy development? Please provide an example.**

As the text notes, top-down strategic planning is usually best in relatively stable environments. Emergent strategy is preferred in more uncertain times. However, the Mintzberg framework identifies

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that combining the two approaches is likely to yield the best results. An organization in today's environment should strive to be flexible enough to adjust the proportion of top-down and bottom-up ideas based on the situation. Top-down planning and decision making may also be best in businesses in which reliability and consistency are key success factors. (Do you want your nuclear power plant operators experimenting with emerging ideas? Should auditors experiment with new accounting principles?) Bottom-up planning and decision-making offers advantages in innovation-based businesses where (1) being closer to knowledge of customer needs and competitive trends may create information advantages at lower levels of the organization and (2) a diverse stock of non-redundant knowledge may yield more radical innovations.

5. **Several elements of strategic decision making are highlighted in this chapter. Think of an important decision a firm has recently faced and choose either devil's advocacy or dialectic inquiry to lay out some of the key factors the firm likely considered in making its decisions.**

As one example you can structure with the class, Beyond Meat and Impossible Foods are both attempting to introduce plant-based alternatives to everyday meat products such as hamburgers and pork. One aspect of the introduction of pork products is a desire to gain a foothold in the Chinese market for pork dumplings. Recognizing that a major difference between the offerings of these two companies is the use of soy and GMO products, how might you structure a devil's advocate (or dialectic inquiry) analysis of the prospects in the Chinese market?

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TRM Extra: Ethical/Social Questions

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This chapter discusses some key strategic leadership issues (such as privacy and fake news) facing Facebook leaders Sheryl Sandberg and Mark Zuckerberg. Consider other firms mentioned in the chapter such as Amazon, PepsiCo, Uber, VW, and Starbucks. What social and ethical issues do the leaders of these firms face today? Choose a firm or industry and explore the relevant controversial issues it faces. How should strategic leaders address the major issues you have identified?

Instructors may want to guide the students to a particular industry based on current events. Theranos's numerous ethical issues are discussed in the Chapter 12 case opener, and students may be familiar with it due to several documentaries, podcasts, and the TV series *The Dropout*. VW had large scandals surrounding software work arounds that were designed to generate higher miles per gallon results than their vehicles actually produced (a great Netflix series covers this story: *Dirty Money* – episode "Hard NOx"). PepsiCo and Starbucks must balance delivering cost effective products with sustainable suppliers and a greater awareness of healthy eating. Strategic leaders will address these types of issues rather than follow a tendency to ignore them until there is no other choice. Companies' responses to COVID-19 and the unionization efforts of Starbucks' employees may also be relevant current events to discuss.

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TRM Extra: Small Group Activities

1. Strategy Highlight 2.1 discusses the importance of the inspiring vision developed at Teach for America. In your group, search the internet for other nonprofit organizations (Red Cross, Habitat for Humanity, etc.).

1. **Which of them has vision or mission statements that are appealing to donors, employees, and clients? Do these statements seem relevant in today's environment or are they outdated? What improvements can you create for these organizational statements?**

If students are not familiar with nonprofit organizations you may want to offer Red Cross, The Humane Society (relevant to a Connect® chapter exercise) or Habit for Humanity as examples of national organizations. Ask the students to consider if the mission statement speaks to them or seems more like something their parents or grandparents might connect with.

2. The chapter includes a discussion of black swan events that were improbable and unexpected yet had an extreme impact on the well-being of individuals, firms, and nations. Nassim Nicholas Taleb, author of *The Black Swan*, has argued that policy makers and decision makers need to focus on building more robust organizations or systems rather than on improving predictions of events. This notion is reflected in the response to the predicted increase in powerful storms and storm surges. Hurricanes Katrina (which devastated New Orleans and parts of the Gulf Coast), Sandy (which wreaked havoc on the New York and New Jersey coasts), Harvey (which caused massive flooding in Houston), and Maria (which overwhelmed Puerto Rico), leaving much of the island without clean water and electricity for several months) have stimulated discussions about how to not only build a more resilient infrastructure and buildings, but also develop more flexible and effective responses.

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2. **Form small groups of three to four students. Search the internet on the following topic and debate your findings. For each group, search the internet for options and plans to (1) build more sustainable communities that would help areas cope with superstorms or droughts, and (2) organize responses to black swan events more effectively. Brainstorm additional recommendations that you might make to policy makers.**

Major storms are a one key aspect of black swans; in the United States there have also been periods of drought causing problems in agriculture across the country and also massive wildfires, especially in the western United States. Students can reflect on how firms, governments and society can be more proactive in preparing for these sorts of natural events. Students are likely to be focused on stakeholders that they are personally connected to, so it may be a good exercise (and review of Chapter 1) to have them consider the various stakeholders affected by these events.

3. In many situations, promising ideas emerge from the lower levels of an organization, only to be discarded before they can be implemented. It was only extraordinary tenacity and disregard for the policy of selling only corporate-approved drinks that permitted the Frappuccino to "bloom" within Starbucks (see Strategy Highlight 2.2).

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Some scholars have suggested that companies set aside up to 2 percent of their budgets for any manager with budget control to be able to invest in new ideas within the company. Thus, someone with a $100,000 annual budget to manage would be able to invest $2,000 in cash or staff time toward such a project. Multiple managers could go in together for somewhat larger funds or time amounts. Through such a process, the organization could generate a network of "angel investors." Small funds or staff time could be invested in a variety of projects. Approval mechanisms would be easier for these small "seed-stock" ideas, to give them a chance to develop before going for bigger funding at the top levels of the organization.

3. **What problems would need to be addressed to introduce this angel-network idea into a firm? Use a firm someone in your group has worked for or knows well to discuss possible issues of widely distributing small funding level approvals across the firm.**

This exercise builds on some of the ideas applied in the Starbucks Strategy Highlight, combined with thoughts from Gary Hamel's book *The Future of Management* (Harvard 2007). It also integrates some of the real options concepts (real options is explained very well in CH 9.2), because these "seeds" of funding spread throughout the organization will enable limited funding of many different ideas and give each project some time to get traction without it being a "bet the business" decision.

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Implementation ideas may take on many issues, depending on the student's prior work experience and knowledge. If the students are relatively young with limited work experience, it may be more fruitful to discuss a hypothetical company/department. You may even want to divide the class into smaller groups and hand them a departmental budget that you've created – different groups of students will select to pull funding from different areas, and that can be a great start to the discussion. For example, where does the department manager take the 2 percent from the budget to invest it in these small-scale experiments? What if some managers want to invest and others don't? What sorts of controls would the firm have on the types of projects the employees could explore? Then there's the loss of control by the senior managers or finance, who have been approving all projects previously. At what point do these small projects need to get larger approvals within the organization? The mid-level manager should bring the idea to the attention of the top executives, ideally with a proposal of what would need to be changed as well as what it would offer. A good executive has to look at all possibilities for improving the company even if it requires significant change. Raise the issue of the importance of brand value and global brand image as a core competence of Starbucks, as a key success factor in the industry, and as the most valuable asset on the balance sheet. Encourage your marketing majors to explore the risks associated with independent, bottom-up experimentation with elements of strategy that have high brand impact. How might relationships with franchisees been harmed by offering products in company-operated stores that were not available to partners?

Related MiniCase

Instructors may want to consider assigning and discussing the following MiniCase, which covers topics found in this chapter. Every MiniCase has assignable McGraw Hill Connect® case questions available.

MiniCase 2: Microsoft Satya Nadella Hits Refresh

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