

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

- 1) The underpinnings of strategic management hinge on managers gaining an understanding of competitors, markets, prices, suppliers, distributors, governments, creditors, shareholders and customers worldwide. 1) _____
- 2) The purpose of strategic management is optimizing for tomorrow the trends of today. 2) _____
- 3) Strategic planning has been cast aside by corporate America since the early 1990s. 3) _____
- 4) Resource allocation is included in strategy-formulation activities. 4) _____
- 5) The terms *strategic management* and *strategy implementation* are synonymous. 5) _____
- 6) A vision statement is, in essence, a company's game plan. 6) _____
- 7) Strategy implementation is often considered to be the most difficult stage in the strategic-management process, because it requires personal discipline, commitment and sacrifice. 7) _____
- 8) The final stage in strategic management is strategy implementation. 8) _____
- 9) In a large diversified organization, strategy formulation, implementation and evaluation activities occur at three hierarchical levels: corporate, divisional and functional. 9) _____
- 10) One of the fundamental strategy evaluation activities is to review the external and internal factors which are the bases for current strategies. 10) _____
- 11) A way to describe the strategic-management process is as an objective, logical, systematic approach for making major decisions in an organization. 11) _____
- 12) Strategic-management process is an attempt to organize qualitative and quantitative information in a way that allows effective decisions to be made under conditions of uncertainty. 12) _____
- 13) Analytical and intuitive thinking should complement each other. 13) _____
- 14) According to Albert Einstein, knowledge is far more important than intuition. 14) _____
- 15) Management by intuition can be defined as operating from the "I've-already-made-up-my-mind-don't-bother-me-with-the-facts" mode. 15) _____
- 16) By monitoring external events, companies should be able to identify when change is required. 16) _____
- 17) In 2007, Toyota surpassed General Motors as the world's top producer of cars. 17) _____
- 18) As of 2010, the largest company in the world was ExxonMobil. 18) _____

- 19) Anything a firm does especially well compared to rival firms could be considered a competitive advantage. 19) _____
- 20) Once a firm acquires a competitive advantage, they are usually able to sustain it for an extended period of time. 20) _____
- 21) Newspaper companies in the United States provide a good example of how a company can sustain a competitive advantage over the long term. 21) _____
- 22) Although the Internet has increased in popularity, it has actually led to increases in company expenses. 22) _____
- 23) Consumer e-commerce is five times greater than business-to-business e-commerce. 23) _____
- 24) Currently, online shopping accounts for almost 15 percent of all shopping. 24) _____
- 25) In 2006, customers spent more money online for clothes than they did on computers. 25) _____
- 26) In order for a firm to achieve sustained competitive advantage, a firm must continually adapt to changes in external trends and events and effectively formulate, implement, and evaluate strategies that capitalize upon those factors. 26) _____
- 27) Strategists are usually found in higher levels of management and have considerable authority for decision-making in the firm. 27) _____
- 28) The middle manager is the most visible and critical strategic manager. 28) _____
- 29) All strategists have similar attitudes, values, ethics and concerns for social responsibility. 29) _____
- 30) A vision statement answers the question, "What is our business?," whereas a mission statement answers, "What do we want to become?" 30) _____
- 31) In the last five years, the position of chief strategy officer (CSO) has diminished in comparison to other top management ranks of many organizations. 31) _____
- 32) A clear mission statement describes the values and priorities of an organization. 32) _____
- 33) Strengths and weaknesses are determined relative to competitors. 33) _____
- 34) In a multidivisional firm, objectives should be established for the overall company and not for each division. 34) _____
- 35) Objectives should be measurable, quantitative, challenging, realistic, consistent and prioritized. 35) _____
- 36) Annual objectives are long-term milestones that organizations must achieve to reach short-term objectives. 36) _____
- 37) Annual objectives are especially important in strategy formulation. 37) _____

- 38) According to research, a healthier workforce can more effectively and efficiently implement strategies. 38) _____
- 39) Identifying an organization's existing vision, mission, objectives and strategies is the final step for the strategic management process. 39) _____
- 40) Once an effective strategy is designed, modifications are rarely required. 40) _____
- 41) Application of the strategic-management process is typically more formal in larger, well-established organizations. 41) _____
- 42) Understanding is the most important benefit of strategic management, followed by commitment. 42) _____
- 43) The changes that occurred at Disney after Robert Iger took over as CEO exemplify how more and more organizations are centralizing the strategic-management process. 43) _____
- 44) Firms which have planning systems that more closely resemble strategic-management theory generally exhibit superior long-term financial performance relative to their industry. 44) _____
- 45) Low-performing firms typically underestimate their competitor's strengths and overestimate their own strengths. 45) _____
- 46) According to Greenley, strategic management provides a cooperative, integrated and enthusiastic approach to tackling problems and opportunities. 46) _____
- 47) The poor reward structure is one reason managers do not engage in strategic planning. 47) _____
- 48) Crises and fires in an organization allow managers the training and time for effective strategic planning. 48) _____
- 49) One pitfall which managers should avoid in strategic planning is top managers making many intuitive decisions that conflict with the formal plan. 49) _____
- 50) Managers must be very formal in strategic planning because formality induces flexibility and creativity. 50) _____
- 51) An integral part of strategy implementation must be to evaluate the quality of the strategic management process. 51) _____
- 52) Strategic management must be a self-reflective learning process that familiarizes managers and employees in the organization with key strategic issues and with feasible alternatives for resolving those issues. 52) _____
- 53) Today, managers and employees can be found personally liable if they ignore, conceal, or disregard a pollution problem. 53) _____
- 54) Merely having a code of ethics is not sufficient to ensure ethical business behavior. 54) _____

- 55) An integral part of the responsibility of all managers is to provide ethical leadership by constant example and demonstration. 55) _____
- 56) In most situations, business strategy is very different than military strategy. 56) _____
- 57) International operations can be as simple as exporting a product to a single foreign country. 57) _____
- 58) One risk in international operations is that nationalistic factions could seize the operations. 58) _____
- 59) All organizations have a strategy from their inception, even if the strategy is informal, unstructured, and sporadic. 59) _____
- 60) Nonprofit organizations have less need for strategic management because they are not interested in making a profit. 60) _____
- 61) Firms can be more proactive with strategic management. 61) _____

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

- 62) Identify a theme that has become a more important strategic issue due to global warming, bioterrorism, and increased pollution. 62) _____
A) Internal stakeholders
B) Measuring performance
C) Monitoring employees
D) Internal environment
E) External environment
- 63) What can be defined as the art and science of formulating, implementing and evaluating cross-functional decisions that enable an organization to achieve its objectives? 63) _____
A) Strategic management
B) Strategic leading
C) Strategy formulation
D) Strategy implementation
E) Strategy evaluation
- 64) _____ is used to refer to strategic formulation, implementation and evaluation, with _____ referring only to strategic formulation. 64) _____
A) Strategic implementation; strategic focus
B) Strategic management; strategic planning
C) Strategic management; strategic processing
D) Strategic planning; strategic management
E) Strategic planning; strategic processing
- 65) During which stage of strategic management is a firm's specific internal strengths and weaknesses determined? 65) _____
A) Implementation
B) Formulation
C) Goal-setting
D) Evaluation
E) Feedback

- 66) An important activity in _____ is taking corrective action. 66) _____
A) strategy implementation
B) strategy evaluation
C) strategy formulation
D) strategy leadership
E) all of the above
- 67) What step in the strategic development process involves mobilizing employees and managers to put strategies into action? 67) _____
A) Implementing strategy
B) Competitive advantage
C) Formulating strategy
D) Strategic advantage
E) Strategy evaluation
- 68) What types of skills are especially critical for successful strategy implementation? 68) _____
A) Thinking
B) Conceptual
C) Marketing
D) Technical
E) Interpersonal
- 69) Which phase of strategic management is called the action phase? 69) _____
A) Measuring performance
B) Strategy formulation
C) Strategy implementation
D) Allocating resources
E) Strategy evaluation
- 70) _____ is not a strategy-implementation activity. 70) _____
A) Motivating employees
B) Establishing annual objectives
C) Taking corrective actions
D) Devising policies
E) Allocating resources
- 71) Strategy evaluation is necessary because 71) _____
A) competitors change their strategies.
B) firms have limited resources.
C) internal and external factors are constantly changing.
D) the SEC requires strategy evaluation.
E) the IRS requires strategy evaluation.
- 72) Which statement best describes the role of intuition in management? 72) _____
A) It is management by ignorance.
B) It represents the marginal factor in decision-making.
C) It is better than analysis in decision-making.
D) It represents a minor factor in decision-making integrated with analysis.
E) It should be coupled with analysis in decision-making.

- 73) _____ and _____ are external forces transforming business and society today. 73) _____
- A) E-commerce; globalization
 - B) Corporate culture; stakeholders
 - C) Stakeholders; strategy
 - D) Strategy; globalization
 - E) E-commerce; strategy
- 74) Anything that a firm does especially well compared to rival firms is referred to as 74) _____
- A) competitive advantage.
 - B) sustainable advantage.
 - C) comparative advantage.
 - D) an external opportunity.
 - E) opportunity cost.
- 75) Who is the world's top producer of cars? 75) _____
- A) Toyota
 - B) General Motors
 - C) Ford
 - D) Hyundai
 - E) Honda
- 76) What percent of total sales are estimated to be completed online by 2016? 76) _____
- A) 85 percent B) 20 percent C) 60 percent D) 7 percent E) 15 percent
- 77) The top three online apparel retailers in 2010, using a measure of fans accross all major social media platforms, were 77) _____
- A) Zappos, ASOS, and TopShop.
 - B) Wal-Mart, TopShop, and Sears.
 - C) Gap, Zappos, and L.L. Bean.
 - D) L.L. Bean, Zappos, and Victoria's Secret.
 - E) Sears, Victoria's Secret, and ASOS.
- 78) The trends in newspaper circulation in the United States provide support for which statement? 78) _____
- A) Some products are relatively immune to changes in the external environment.
 - B) Competition is generally good for companies and consumers.
 - C) Several firms can have similar competitive advantages.
 - D) Sustainable competitive advantage is easy to maintain.
 - E) Most competitive advantages are hard to sustain.
- 79) The one factor that has most significantly impacted the nature and core of buying and selling in nearly all industries has been 79) _____
- A) customer and employee focus.
 - B) political borders.
 - C) the government.
 - D) corporate greed.
 - E) the Internet.

- 80) Which individuals are most responsible for the success and failure of an organization? 80) _____
A) Stakeholders
B) Personnel directors
C) Strategists
D) Human resource managers
E) Financial planners
- 81) The first step in strategic planning is generally 81) _____
A) making a profit.
B) establishing goals and objectives.
C) determining opportunities and threats.
D) developing a vision statement.
E) developing a mission statement.
- 82) What is the correct term for the enduring statements of purpose that distinguish one business from others that are similar? 82) _____
A) Mission statements
B) Rules
C) Employee conduct guidelines
D) Policies
E) Objectives
- 83) The largest company in the world is 83) _____
A) Ford Motor Company.
B) Wal-Mart.
C) ING Group.
D) Honda Motor.
E) Royal Dutch/Shell Group.
- 84) Usually, external opportunities and threats are 84) _____
A) key functions in strategy exploitation.
B) key functions in strategy implementation.
C) not as important as internal strengths and weaknesses.
D) uncontrollable by a single organization.
E) controlled by governments.
- 85) Specific results an organization seeks to achieve in pursuing its basic mission are 85) _____
A) policies. B) mission. C) strategies. D) objectives. E) rules.
- 86) Internal _____ are activities in an organization that are performed especially well. 86) _____
A) competencies
B) opportunities
C) strengths
D) management
E) factors

- 87) What are the means by which long-term objectives will be achieved? 87) _____
A) Opportunities
B) Strengths
C) Strategies
D) Weaknesses
E) Policies
- 88) Long-term objectives should be all of the following *except* 88) _____
A) continually changing.
B) measurable.
C) consistent.
D) challenging.
E) reasonable.
- 89) _____ can best be described as short-term in nature. 89) _____
A) Mission statements
B) Annual objectives
C) Tenure
D) Strategies
E) Management
- 90) In which phase of strategic management are annual objectives especially important? 90) _____
A) Control
B) Evaluation
C) Management
D) Formulation
E) Implementation
- 91) Which of the following are guides to decision making? 91) _____
A) Rules
B) Laws
C) Policies
D) Goals
E) Procedures
- 92) The strategic-management process 92) _____
A) is a sequential process.
B) is a continuous process.
C) occurs once a year.
D) applies mostly to companies with sales greater than \$100 million.
E) applies mostly to small businesses.
- 93) Which of the following is not included in the strategic management model? 93) _____
A) Developing mission and vision statements.
B) Implementing strategies.
C) Performing internal research to identify customers.
D) Measuring and evaluating performance.
E) Establishing long-term objectives.

- 94) Strategic management enables an organization to _____, instead of companies just responding to threats in their business environment. 94) _____
- A) avoid the threats
 - B) be proactive
 - C) foresee into the future
 - D) determine when the threat will subside
 - E) defeat their competitors
- 95) The act of strengthening employees' sense of effectiveness by encouraging and rewarding them to participate in decision-making and to exercise initiative and imagination is referred to as 95) _____
- A) empowerment.
 - B) authoritarianism.
 - C) delegation.
 - D) proaction.
 - E) transformation.
- 96) How do line managers become "owners" of the strategy? 96) _____
- A) By becoming a shareholder of the firm
 - B) By involvement in the strategic-management process
 - C) By attending top manager meetings
 - D) By buying off top managers
 - E) By gathering information about competitors
- 97) The changes that occurred when Robert Iger became CEO at Disney demonstrate which current trend in organizations? 97) _____
- A) Increased formalization of the strategic management process
 - B) Increased emphasis on strategic planning
 - C) Increased structuring of strategic management
 - D) Increased central planning of the strategic management process
 - E) Increased decentralizing of strategic management
- 98) According to research, organizations using strategic management are _____ than those that do not. 98) _____
- A) more profitable
 - B) less complex
 - C) more complex
 - D) less profitable
 - E) less static
- 99) Which of the following is *not* one of the benefits of strategic management described by Greenley? 99) _____
- A) It creates a framework for internal communication among personnel.
 - B) It maximizes the effects of adverse conditions and changes.
 - C) It provides an objective view of management problems.
 - D) It gives a degree of discipline and formality to the management of a business.
 - E) It encourages a favorable attitude toward change.

- 100) Which of the following is not a reason given for poor or no strategic planning in organizations? 100) _____
- A) Trust of management
 - B) Wasting time
 - C) Poor reward structure
 - D) Fire-fighting
 - E) Being content with success
- 101) All of these are pitfalls an organization should avoid in strategic planning *except* 101) _____
- A) too hastily moving from mission development to strategy formulation.
 - B) using plans as a standard for measuring performance.
 - C) using strategic planning to gain control over decisions and resources.
 - D) being so formal in planning that flexibility and creativity are stifled.
 - E) failing to involve key employees in all phases of planning.
- 102) Which of the following is *not* a pitfall an organization should avoid in strategic planning? 102) _____
- A) Failing to communicate the plan to employees.
 - B) Top managers not actively supporting the strategic planning process.
 - C) Doing strategic planning only to satisfy accreditation or regulatory requirements.
 - D) Involving all managers rather than delegating planning to a "planner".
 - E) None of the above
- 103) Which of the following statements is *false*? 103) _____
- A) No organization has unlimited resources.
 - B) Strategic management must be a self-reflective learning process.
 - C) Strategic management must become a self-perpetuating socialist mechanism.
 - D) Strategic decisions require trade-offs.
 - E) Open-mindedness is an important guideline for effective strategic management.
- 104) Principles of conduct that guide decision-making are known as 104) _____
- A) nonprofit organization policies.
 - B) social responsibility requirements.
 - C) human rights.
 - D) business ethics.
 - E) the Constitution.
- 105) A(n) _____ can provide a basis on which policies can be devised to guide daily decisions and behavior at the work site. 105) _____
- A) policy for safety
 - B) vision statement
 - C) code of business ethics
 - D) annual objective
 - E) list of guidelines
- 106) Because they must take the _____ of the firm, strategists' salaries are high compared to those of other individuals in the organization. 106) _____
- A) social risks
 - B) societal criticism
 - C) moral risks
 - D) employee criticism
 - E) environmental risks

- 107) What can be created by ethics training and an ethics culture? 107) _____
A) Competitive advantage
B) Comparative advantage
C) Strategic advantage
D) Competitive responsibility
E) Employee cooperation
- 108) Which of these business actions is (are) always considered to be unethical? 108) _____
A) Poor product or service safety
B) Dumping flawed products in a foreign market
C) Using nonunion labor in a union shop
D) Insider trading
E) all of the above
- 109) A strong _____ heritage underlies the study of strategic management. 109) _____
A) social
B) government
C) cultural
D) political
E) military
- 110) Military strategy is based on an assumption of _____, whereas business strategy is based on an assumption of _____. 110) _____
A) conflict; competition
B) cooperation; conflict
C) conflict; cooperation
D) competition; conflict
E) cooperation; competition
- 111) _____ are organizations that conduct business operations across national borders. 111) _____
A) Government-backed companies
B) Domestic firms
C) Franchises
D) Multinational corporations
E) Parent companies
- 112) In the context of conducting business operations across national borders, a(n) _____ refers to a firm investing in international operations, while the _____ is the country where that business is conducted. 112) _____
A) home country; parent company
B) parent country; host company
C) exporting company; importing company
D) parent company; host country
E) host company; home country
- 113) The greatest advantage of international operations is 113) _____
A) reduced tariffs and taxes.
B) access to global technology, culture and business practices.
C) gaining new customers.
D) spreading economic risks over a wider number of markets.
E) less intense competition.

- 114) All of these are potential disadvantages of an international operation *except*
- A) overestimated weaknesses and underestimated strengths of competitors.
 - B) complexity due to a multiple monetary system.
 - C) differing languages, cultures and value systems.
 - D) reduced tariffs and taxes.
 - E) all of these are potential disadvantages.

114) _____

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

- 115) Compare and contrast strategic planning with strategic management.
- 116) Which stage in the strategic-management process is most difficult? Explain why.
- 117) Explain the relationship between strategic management and competitive advantage for firms. How can a firm achieve sustained competitive advantage?
- 118) Define what strategists are. Describe what they do in an organization.
- 119) Define and discuss the differences between vision and mission statements.
- 120) Discuss some forces that influence the formality of strategic-management systems.
- 121) List 10 major benefits of strategic management, as stated by Greenley.
- 122) Give at least seven reasons why some firms do no strategic planning.
- 123) What are the pitfalls in strategic planning that management in an organization should watch out for or avoid? Identify any five pitfalls.
- 124) Explain the significance of the ISO (International Organization for Standardization). What are the purposes of ISO 14000, and ISO 14001?
- 125) Explain what Drucker means when he says, "Trees die from the top."
- 126) Compare and contrast business and military strategy.
- 127) What are the advantages and disadvantages of having international operations? Explain.

Answer Key

Testname: UNTITLED1

- 1) TRUE
- 2) FALSE
- 3) FALSE
- 4) TRUE
- 5) TRUE
- 6) FALSE
- 7) TRUE
- 8) FALSE
- 9) TRUE
- 10) TRUE
- 11) TRUE
- 12) TRUE
- 13) TRUE
- 14) FALSE
- 15) FALSE
- 16) FALSE
- 17) TRUE
- 18) FALSE
- 19) TRUE
- 20) FALSE
- 21) FALSE
- 22) FALSE
- 23) FALSE
- 24) FALSE
- 25) TRUE
- 26) TRUE
- 27) TRUE
- 28) FALSE
- 29) FALSE
- 30) FALSE
- 31) FALSE
- 32) TRUE
- 33) TRUE
- 34) FALSE
- 35) TRUE
- 36) FALSE
- 37) FALSE
- 38) TRUE
- 39) FALSE
- 40) FALSE
- 41) TRUE
- 42) TRUE
- 43) FALSE
- 44) TRUE
- 45) TRUE
- 46) TRUE
- 47) TRUE
- 48) FALSE
- 49) TRUE
- 50) FALSE

Answer Key

Testname: UNTITLED1

- 51) FALSE
- 52) TRUE
- 53) TRUE
- 54) TRUE
- 55) TRUE
- 56) FALSE
- 57) TRUE
- 58) TRUE
- 59) TRUE
- 60) FALSE
- 61) TRUE
- 62) E
- 63) A
- 64) B
- 65) B
- 66) B
- 67) A
- 68) E
- 69) C
- 70) D
- 71) C
- 72) E
- 73) A
- 74) A
- 75) A
- 76) E
- 77) A
- 78) E
- 79) E
- 80) C
- 81) D
- 82) A
- 83) A
- 84) D
- 85) D
- 86) C
- 87) C
- 88) A
- 89) B
- 90) E
- 91) C
- 92) B
- 93) C
- 94) B
- 95) A
- 96) B
- 97) E
- 98) A
- 99) B
- 100) A

Answer Key

Testname: UNTITLED1

- 101) B
- 102) D
- 103) C
- 104) D
- 105) C
- 106) C
- 107) C
- 108) E
- 109) E
- 110) A
- 111) D
- 112) D
- 113) C
- 114) D
- 115) Strategic planning is more often used in the business world, whereas strategic management is often used in academia. Sometimes, strategic management is used to refer to strategy formulation, implementation and evaluation, with strategic planning referring only to strategy formulation. The purpose of strategic management is to exploit and create new and different opportunities for tomorrow; long-range planning, in contrast, tries to optimize for tomorrow the trends of today.
- 116) Strategy implementation is the most difficult stage in the strategic-management process because it requires personal discipline, commitment and sacrifice. Successful strategy implementation hinges upon managers' ability to motivate employees, which is more of an art than a science.
- 117) Strategic management is all about gaining and maintaining competitive advantage. Competitive advantage is anything a firm does especially well compared to rival firms. When a firm can do something that rival firms cannot do, or owns something that rival firms desire, that can represent a competitive advantage. Getting and keeping competitive advantage is essential for long-term success of an organization. A firm must strive to achieve sustained competitive advantage by 1) continually adapting to changes in external trends and events and internal capabilities, competencies and resources, and by 2) effectively formulating, implementing and evaluating strategies that capitalize upon those factors.
- 118) Strategists are individuals who are most responsible for the success or failure of an organization. They help an organization gather, analyze and organize information. They track industry and competitive trends, develop forecasting models and scenario analyses, identify business threats and develop creative action plans. Strategic planners usually serve in a support or staff role. Usually found in higher levels of management, they typically have considerable authority for decision-making in the firm.
- 119) Many organizations today develop a *vision statement* that answers the question "What do we want to become?" Developing a vision statement is often considered the first step in strategic planning, preceding even development of a mission statement. Many vision statements are a single sentence. For example, the vision statement of Etisalat in the UAE is: "A world where people's reach is not limited by matter or distance." The vision of SABIC in Saudi Arabia is: "Our vision is to be the preferred world leader in chemicals." *Mission statements* are "enduring statements of purpose that distinguish one business from other similar firms. A mission statement identifies the scope of a firm's operations in product and market terms." It addresses the basic question that faces all strategists: "What is our business?" A clear mission statement describes the values and priorities of an organization. Developing a mission statement compels strategists to think about the nature and scope of present operations and to assess the potential attractiveness of future markets and activities. A mission statement broadly charts the future direction of an organization.
- 120) Firms that compete in complex, rapidly changing environments, such as technology companies, tend to be more formal in strategic planning. Firms that have many divisions, products, markets and technologies also tend to be more formal in applying strategic-management concepts. Greater formality in applying the strategic-management process is usually positively related with the cost, comprehensiveness, accuracy and success of planning across all types and sizes of organization.

- 121) Students are to list any 10 of the following: 1) it allows for identification, prioritization and exploitation of opportunities; 2) it provides an objective view of management problems; 3) it represents a framework for improved coordination and control of activities; 4) it minimizes the effects of adverse conditions and changes; 5) it allows major decisions to better support established objectives; 6) it allows more effective allocation of time and resources to identified opportunities; 7) it allows fewer resources and less time to be devoted to correcting erroneous or ad hoc decisions; 8) it creates a framework for internal communication among personnel; 9) it helps integrate the behavior of individuals into a total effort; 10) it provides a basis for clarifying individual responsibilities; 11) it encourages forward thinking; 12) it provides a cooperative, integrated and enthusiastic approach to tackling problems and opportunities; 13) it encourages a favorable attitude toward change; and 14) it gives a degree of discipline and formality to the management of a business.
- 122) Students are to list any of the following: poor reward structures, fire-fighting, waste of time, too expensive, laziness, content with success, fear of failure, overconfidence, prior bad experience, self-interest, fear of the unknown, honest difference of opinion, and suspicion.
- 123) There are 13 pitfalls. Students should list any five of the following: 1) using strategic planning to gain control over decisions and resources; 2) doing strategic planning only to satisfy accreditation or regulatory requirements; 3) too hastily moving from mission development to strategy formulation; 4) failing to communicate the plan to employees, who continue to work in the dark; 5) top managers making many intuitive decisions that conflict with the formal plan; 6) top managers not actively supporting the strategic-planning process; 7) failing to use plans as a standard for measuring performance; 8) delegating planning to a "planner" rather than involving all managers; 9) failing to involve key employees in all phases of planning; 10) failing to create a collaborative climate supportive of change; 11) viewing planning to be unnecessary or unimportant; 12) becoming so engrossed in current problems that insufficient or no planning is done; and 13) being so formal in planning that flexibility and creativity are stifled.
- 124) The ISO is based in Geneva, Switzerland and is a network of the national standards institutes of 147 countries. The ISO world's largest developer of standards and is widely accepted worldwide. ISO standards are voluntary, since the organ has no legal authority to enforce their implementation. However, many companies that are not ISO certified often can work.

ISO 14000 focuses on operating in an environmentally-friendly manner. ISO 14000 refers to a series of voluntary standards in the environmental field. ISO 14001 is similar to ISO 14000 because it is also an environmental standard. ISO 14001 is a standard for Environmental Management Systems. Standards include environmental auditing, environmental performance evaluation, environmental labeling, and life-style assessment. ISO 14001 standards offer a universal technical standard for environmental compliance.

- 125) "Trees die from the top" is a proverb used to describe the effect on the rest of the company of a manager who lacks character and integrity. When top management's spirit dies, so does the rest of the company's spirit. This leads to the downfall, or death, of the company.
- 126) Business and military strategy are very similar. A key aim of both business and military strategy is "to gain competitive advantage." They both also try to use their own strengths to exploit competitor's weaknesses. Happiness is not a result of accidental strategies in either business or military organizations. The element of surprise provides great competitive advantages in both military and business strategy; information systems that provide data on opponents' or competitors' strategies and resources are also vitally important. Finally, both business and military organizations must adapt to change and constantly improve to be successful.

While business and military strategy are the same in many ways, they have one major difference—business strategy is formulated, implemented and evaluated with an assumption of competition, whereas military strategy is based on an assumption of conflict.

- 127) International operations create many advantages for a company: 1) foreign operations can absorb excess capacity, reduce unit costs and spread economic risks over a wider number of markets; 2) foreign operations can allow firms to establish low-cost production facilities in locations close to raw materials and/or cheap labor; 3) competitors in foreign markets may not exist, or competition may be less intense than in domestic markets; 4) foreign operations may result in reduced tariffs, lower taxes and favorable political treatment in other countries; 5) joint ventures can enable firms to learn the technology, culture and business practices of other people and to make contacts with potential customers, suppliers, creditors and distributors in foreign countries; 6) many foreign governments and countries offer varied incentives to encourage foreign investment in specific locations; and 7) economies of scale can be achieved from operations in global rather than solely domestic markets. Larger-scale production and better efficiencies allow higher sales volumes and lower price offerings.

There are also numerous potential disadvantages of having internal operations: 1) nationalistic factions could seize foreign operations; 2) firms confront different and often little-understood social, cultural, demographic, environmental, political, governmental, legal, technological, economic and competitive forces when doing business internationally. These forces can make communication difficult between the parent firm and subsidiaries; 3) weaknesses of competitors in foreign lands are often overestimated, and strengths are often underestimated. Keeping informed about the number and nature of competitors is more difficult when doing business internationally; 4) language, culture and value systems differ among countries, and this can create barriers to communication and problems managing people; 5) gaining an understanding of regional organizations is difficult but is often required in doing business internationally; 6) dealing with two or more monetary systems can complicate international business operations; and 7) the availability, depth and reliability of economic and marketing information in different countries varies extensively, as do industrial structures, business practices and the number and nature of regional organizations.