

***Strategic Management, 4e (Rothaermel)***

**Chapter 2 Strategic Leadership: Managing the Strategy Process**

- 1) Executives whose visions and decisions help their companies achieve competitive advantage can be considered strategic leaders.
- 2) Strategic leaders spend the majority of their time working alone to devise new strategies.
- 3) An employee lacking some of the innate abilities to be a top-level manager can still become an effective strategic leader through hard work and experience.
- 4) It is helpful to break down strategy formulation and strategy implementation into five distinct areas.
- 5) The autocratic strategic management process exhibited by the former head of Apple, Steve Jobs, is best described as an emergent strategy.
- 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.
- 7) A firm's resource-allocation process (RAP) has very little effect on its realized strategy.
- 8) Because they are a crucial component of a firm's success, customers are considered internal stakeholders.
- 9) A firm is required by society and its shareholders to meet its ethical and philanthropic responsibilities.
- 10) Under the strategy as a planned emergence model, even entry-level employees can help generate strategic initiatives.
- 11) As the CEO of a conglomerate, Eva Morris 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. Eva persuaded the board that the company had to be responsible toward society. In this scenario, Eva has demonstrated
  - A) strategic leadership.
  - B) intrapreneurship.
  - C) Machiavellianism.
  - D) individualism.

12) Strategic leadership pertains 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

13) Hannah is the Chief Operating Officer of the startup AppPalace. In which of the following scenarios does Hannah exhibit strategic leadership?

- A) Hannah 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, Hannah is proud of the product and uses it every day.
- B) Citing budget concerns, Hannah ignores the directions from AppPalace'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) Hannah 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, AppPalace gains 250,000 new users in that group.
- D) With a major pitch to potential investors coming up, Hannah 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 Hannah has set, she makes the presentation anyway.

14) The CEO of Mabel Automobiles 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

15) Yuki 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, Yuki is in \_\_\_\_\_ of the Level-5 leadership pyramid.

- A) Level 5
- B) Level 4
- C) Level 3
- D) Level 2

16) Trung has been an employee with PureEnergy Inc. for 15 years. He started with an entry-level job, and today he is a manager of an entire division. Over the years, Trung 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 Trung has reached so far?

- A) Level 5
- B) Level 4
- C) Level 3
- D) Level 2

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

- A) Connie is an employee who just started her career at DK Inc.; she has already been appreciated for her knowledge and skills in the new company.
- B) Dmitri is an employee at Infinite Circle Inc.; he has helped his team achieve their targets by contributing to the team's efforts.
- C) Luigi is part of the marketing team at RT Corp.; he has been given the charge of managing a team of three, so he will be promoted to a manager's position next month.
- D) Asoka is the CEO of Green Machines Inc.; he has helped his company in gaining and sustaining a competitive advantage through ethical decision making.

18) TriCorp is a major financial services corporation. With the CEO of TriCorp 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 TriCorp, 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.

19) 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.

20) Corporate executives at LikeReal, Inc. decide to compete in the remote model airplane industry by making the largest model planes available. By doing this, they completed part of their

- A) implementation strategy.
- B) corporate strategy.
- C) functional strategy.
- D) business strategy.

21) 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

22) The CEO of Chyron Media 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

23) 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.

24) 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

25) Which of the following statements is true of corporate strategy?

- A) The objective of corporate-level strategy is to ensure that the sum of the values of individual business units is greater than the overall corporate value.
- B) A corporate strategy must be able to create synergies across business units that are quite different.
- C) Formulating a corporate strategy involves general managers answering questions relating to how to compete in order to achieve superior performance.
- D) Deciding whether to adopt a differentiation or a cost-leadership strategy is part of formulating the corporate strategy.

26) Mercurial Foods is the parent company of several chain restaurants offering a variety of cuisines. The top management at Mercurial 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

27) Due to political instability in the country of East Gerdon, the strategic leaders at the headquarters of Mako Manufacturing have decided to close all production facilities in the country until stability returns. Mako's managers have formulated a \_\_\_\_\_-level strategy.

- A) business
- B) divisional
- C) functional
- D) corporate

28) 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 individual business units

29) Ida has been tasked with formulating the business strategy for Contour Cosmetics' new line of lipsticks. Which of the following ideas would Ida be likely to include in her proposal?

- A) Open kiosks in shopping centers located in developing countries with rising disposable incomes.
- B) Promote the lipsticks as the longest-lasting on the market.
- C) Invest in building an online store for Contour products.
- D) Reorganize the manufacturing division to gain efficiency.

30) Blue Billion 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 Blue Billion can be referred to as

- A) limited liability companies.
- B) functional departments.
- C) strategic business units.
- D) corporations.

- 31) 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
- 32) Which of the following functions do the general managers in strategic business units primarily perform?
- A) design generic business strategies based on guidelines received from corporate headquarters
  - B) set overarching strategic objectives to unify the entire conglomerate under one mission
  - C) take responsibility for decisions and actions within a single functional area
  - D) allocate scarce resources among different business divisions
- 33) Pear Tree Electronics 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 his 17 units. Thus, the decision made by the product leader best illustrates a \_\_\_\_\_ strategy.
- A) corporate
  - B) functional
  - C) grand
  - D) business
- 34) 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.
- 35) Strategies developed at the departmental level, such as the accounting, human resources, production, and marketing departments, within a strategic business unit are referred to as \_\_\_\_\_ strategies.
- A) grand
  - B) corporate
  - C) business
  - D) functional

- 36) The distribution department at Golden Grains Wheat Company 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
- 37) 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.
- 38) 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.
- 39) 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.
- 40) 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.
- 41) Ivan is the founder of a firm producing self-driving vehicles. Because the industry is so new and chaotic, Ivan favors a top-down strategic planning approach in which he 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.

42) The executives at Red Couture Inc. are developing strategic plans to address plausible future situations like rise 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, Red Couture is employing \_\_\_\_\_ as the approach to the development of strategy.

- A) scenario planning
- B) top-down strategic planning
- C) reverse engineering
- D) pattern recognition

43) Which of the following methods of developing a strategy best illustrates scenario planning?

- A) Based on the previous year's profits, the CEO of Solva Inc. decided to adopt an expansion strategy in its home market.
- B) A sales person at MP Foods Inc. suggested that the company should introduce an organic version of its gelato to cater to the needs of the increasingly health-conscious population.
- C) The managers at Lyon Clothing Inc. formulated a strategy that is able to handle small to medium to large increases in the prices of cotton in the future.
- D) The CEO of BCT Inc., a large conglomerate, has decided to enter the South American market based on the competitor's success in the same market.

44) InTex manufactures medical devices. The firm's profitability depends on several variables that are subject to occasional change, including the cost of parts and labor, changes in medical practices, and the price of oil used in both manufacturing and shipping. To account for the potential impact of changes to any of these variables, InTex managers should implement a(n) \_\_\_\_\_ approach.

- A) top-down strategic planning
- B) scenario planning
- C) upper-echelon
- D) strategic business units

45) When the strong dictatorial rule in Backenstein unexpectedly collapsed due to the shocking death of the royal family in an explosion, the nation's economy experienced drastic changes. The laws became more restrictive, the country lost many locally produced resources and products, and the distribution of wealth became inequitable. The unexpected event that led to these changes can best be described as a(n) \_\_\_\_\_ event.

- A) extinction
- B) wild card
- C) black swan
- D) miracle

46) 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



47) Strategic thinking is different from strategic planning in that

- A) strategic thinking includes all types of information sources while strategic planning does not.
- B) strategic thinking relies more on hard data than strategic planning.
- 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.

48) After carefully assessing the market potential for solar-powered mobile devices, the top-level executives of Futuretronics 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

49) Molly Hue Apparels Inc. (MHA) had been outsourcing its production to less-developed countries in order to reduce its cost of production. With the emergence of its competitor, Hova Inc., MHA lost its competitive advantage. Hova had its production units in its home country that allowed the company to bring out the latest trends to the market earlier than MHA. Also, MHA frequently suffered due to political instability and lack of intellectual property laws in the outsourced countries. Thus, parts of MHA'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

50) The production head at the Omnitone Paint Company 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 Omnitone's 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

51) A \_\_\_\_\_ is best described as any activity a firm pursues to explore and develop new products and processes, new markets, or new ventures.

- A) strategic initiative
- B) value chain
- C) supply chain
- D) corrective action

52) 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.

53) Burke Furnishings 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.

54) Zenya is the founder of an online service that allows users to rent out spare rooms in their homes. She has hired a number of extremely bright employees whose opinions are central to the company's success in the fast-paced online services industry. Which type of strategic management process would be most likely to fully utilize the strengths embodied by her team and position the company to capitalize upon autonomous actions and serendipity?

- A) strategic planning
- B) scenario planning
- C) strategy as planned emergence
- D) ad-hoc planning

55) 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.

56) In Strategy Highlight 2.1, what type of strategy did Diana, the Starbucks store manager in southern California, use to develop the new iced beverage for her store?

- A) She used a rational planning approach to strategy planning.
- B) She created a dominant strategy plan.
- C) She used scenario planning.
- D) She used an emergent strategy.

57) Carlos 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 Carlos 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 Carlos 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.

58) 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) Merck's voluntary withdrawal of Vioxx from the market
- D) Intel's rule to "maximize margin-per-wafer-start"

59) A company uses the planned emergence approach in the development of its strategies. Which of the following is an implication of this?

- A) The employees will be isolated from the process of setting the company's vision and mission.
- B) The lower-level employees will be restricted to the tasks involved in strategic implementation.
- C) The company's organizational structure and systems will be designed to support bottom-up strategic initiatives.
- D) The top management will create a strategy that is based on hard data alone, rather than an inspiring vision.

60) 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.

61) Due to several black swan events in the past, the

- A) shareholders of public companies have become more confident in investing their resources in businesses.
- B) need for corporate governance and transparency has decreased within various industries.
- C) nations around the globe have explicitly appreciated and accepted capitalism as an economic system.
- D) implicit trust relationship between the corporate world and society at large has deteriorated.

62) Which of the following was a key motivator for participants in the Occupy movement of 2011?

- A) the need for a capitalist economic system
- B) the issue of income disparity
- C) the need to reduce government intervention in businesses
- D) the desire to dump ecologically dangerous products overseas

63) Vincente, a retired CEO, invests capital in a start-up company that creates budgeting software. He mentors the entrepreneur and the employees of the company because he wants the company to perform well and survive in the market. Thus, Vincente is the start-up company's

- A) headhunter.
- B) category captain.
- C) employee.
- D) stakeholder.

64) Organic Food Inc., a multinational company, relies on its media partner Radio Plus to regularly advertise its offers, sales, and new products. Radio Plus is invested in this relationship because it generates most of its revenue from advertising Organic Food's products. In this scenario, Radio Plus is Organic Food Inc.'s

- A) stockholder.
- B) workforce.
- C) internal stakeholder.
- D) external stakeholder.

65) Eleanor owns a large portion of Apex Apparel's stock. However, she is not employed by the company. In this scenario, Rachel is the company's

- A) external stakeholder.
- B) internal stakeholder.
- C) creditor.
- D) customer.

66) Windmill Inc., a vendor, regularly supplies capacitors to Inland Electronics for use in its products. Therefore, Windmill Inc. is Inland Electronics'

- A) internal stakeholder.
- B) director.
- C) shareholder.
- D) external stakeholder.

67) Which of the following best qualifies as a firm's internal stakeholder?

- A) an auditor assigned to the firm by a federal government agency
- B) a labor union with whom the firm's employees can affiliate
- C) a manager taking care of the firm's operations in a foreign market
- D) a competitor manufacturing the same products as that of the firm

- 68) The best example of a firm's external stakeholder is a(n)
- A) government agency that regulates the prices of products manufactured by the firm.
  - B) board member from a wholly-owned foreign subsidiary of the firm.
  - C) shareholder who has invested money in the firm but is not employed by the firm.
  - D) employee of the firm who is responsible for a contract project.
- 69) The interaction between a firm and its diverse internal and external stakeholders is best described as a(n)
- A) ergonomic relationship.
  - B) cartel arrangement.
  - C) exchange relationship.
  - D) fiduciary responsibility.
- 70) BlueStainless Corp. has been able to gain and sustain a competitive advantage due to its strong relationship with its employees, customers, suppliers, and local communities. The company believes in lifetime employment and ensures that its employees grow along with the company. Investors are more than satisfied with the returns on their investments. Also, 3 percent of the company's profit is spent on community development. With initiatives like these, customers feel privileged to associate themselves with BlueStainless products. This scenario best illustrates the implementation of a
- A) strategic analysis.
  - B) stakeholder strategy.
  - C) wild card event.
  - D) black swan event.
- 71) Which of the following scenarios best illustrates a good stakeholder strategy?
- A) VP Inc. follows a strategy in which maximization of the shareholder's wealth is the primary concern of the managers.
  - B) Carrvero Inc. ensures that its employees are paid the least in the industry so that its external stakeholders can get the best price.
  - C) PA Corp. distributes only 40 percent of its annual profit after taxes to shareholders, while the remaining is invested for further research, and distributed among employees and the local community.
  - D) Gen Pharma Corp. ensures that it fully exploits free natural resources, so that most of its profits go to shareholders in the form of dividends.
- 72) PowerPills is a highly successful vitamin manufacturer. At the close of its most recent fiscal year, the company's balance sheet showed cash holdings of \$110 million. Which of the following actions will provide the most benefit for stakeholders?
- A) Reinvest profits into expanding the company and creating more jobs.
  - B) Reward the CEO with a significant bonus payment.
  - C) Save the excess cash as a precaution against black swan events.
  - D) Buy out the leading competitor to reduce competition and maintain price stability.

- 73) The first step in stakeholder impact analysis involves
- A) formulating a stakeholder strategy to balance the different needs of various stakeholders.
  - B) identifying the opportunities and threats the stakeholders present.
  - C) describing the economic, legal, ethical, and philanthropic responsibilities of the firm toward society.
  - D) identifying the stakeholders that currently have, or potentially can have, a material effect on a company.
- 74) After a firm has identified its key stakeholders in stakeholder impact analysis, the immediate next step is to
- A) recognize the opportunities and threats the stakeholders present.
  - B) identify stakeholders' interests and claims.
  - C) formulate a stakeholder strategy.
  - D) address the stakeholders' concerns.
- 75) As the legal owners, \_\_\_\_\_ have the most legitimate claim on a company's profits.
- A) creditors
  - B) employees
  - C) shareholders
  - D) board members
- 76) Which of the following is typically an economic responsibility of a firm?
- A) sourcing raw materials from highly developed countries
  - B) paying adequate returns to the firm's stockholders on the capital invested by them
  - C) donating resources, in terms of money and time, toward community development
  - D) helping a nation increase its import of goods and services
- 77) The minimum wage in the country of New Morland is \$8 an hour. Odion, a restaurant in New Morland's capital city, pays its servers \$8 per hour. However, the management of the restaurant feels that this amount is excessive for workers whose only job is to clear tables. By continuing to adhere to the rules set by the government of New Morland, which of the following responsibilities is Odion satisfying?
- A) legal responsibilities
  - B) philanthropic responsibilities
  - C) ethical responsibilities
  - D) demographic responsibilities
- 78) The amount of xylene that can be used in household paint is legally limited to 0.03 percent. Anything beyond this amount is hazardous to health and the environment, and considered a legal offense. Consequently, CW Paints Corp. has vouched to make its products as safe as possible. Therefore, it manufactures xylene-free paints even though this increases its costs and reduces the dividends paid to its shareholders in the long run. Which of the following responsibilities is CW Paints Corp. primarily *compromising* in this scenario?
- A) legal responsibilities toward the government
  - B) economic responsibilities toward its shareholders
  - C) philanthropic responsibilities toward the local community
  - D) ethical responsibilities toward the society

79) Patriot Tools, a company that manufactures industrial tools, incurs higher costs because of its refusal to outsource its manufacturing to countries where labor costs are lower. This reflects Patriot Tools' \_\_\_\_\_ responsibility.

- A) economic
- B) legal
- C) ethical
- D) demographic

80) Perpetual Batteries recently came under criticism when a newspaper article revealed that the company's production plant had leaked a chemical compound into a sensitive wetland ecosystem. Although use of the chemical was not technically prohibited by law, the local government levied a small fine for cleaning up the spill. Environmental groups, however, argued that continued use of the chemical was damaging to the local wildlife and threatened to organize a boycott against Perpetual Batteries. What should Perpetual Batteries do to ensure that it meets its ethical responsibilities?

- A) Pay the fine levied by the local government and resume operations.
- B) Move its production facilities to an area that is less concerned with environmental issues.
- C) Take out an advertisement arguing that use of the chemical is perfectly legal.
- D) Design batteries without the chemical and market them as environmentally friendly.

81) Which of following practices of a firm satisfies its ethical responsibilities?

- A) using plastic as the packaging material though it is harmful to the environment, yet legal
- B) outsourcing production to a less developed country and paying wages that are below its own country's accepted minimum wages
- C) using advertising and other forms of promotion to endorse luxurious lifestyles
- D) selling vaccines at a subsidized price in a less developed country even though this results in reduced shareholder returns

82) In the pyramid of corporate social responsibility, \_\_\_\_\_ responsibilities are the foundational building block.

- A) economic
- B) ethical
- C) philanthropic
- D) legal

83) Which of the following statements is true of the social responsibilities of a business?

- A) A firm's ethical responsibilities go beyond its legal responsibilities.
- B) Shareholders mandatorily require a firm to perform its ethical and philanthropic responsibilities.
- C) Ethical responsibilities are the foundational building block of a firm's social responsibility.
- D) Legal responsibilities are often subsumed under the idea of corporate citizenship, reflecting the notion of voluntarily giving back to society.

- 84) The founder of T-Square Construction strongly believes in the notion of corporate social responsibility, so he has proposed a number of philanthropic activities that he expects the company to pursue. In order to accomplish this vision, the managers should first
- A) review all legal codes in the areas in which T-Square operates and ensure all permits are up-to-date.
  - B) ensure that the company is profitable and has a sustainable competitive advantage.
  - C) make sure it is paying employees wages that allow them to live comfortably.
  - D) ask for public input on issues that the company can help address.
- 85) In the final step of the stakeholder impact analysis, a firm
- A) identifies its stakeholders' interests and claims.
  - B) differentiates its internal stakeholders from its external stakeholders.
  - C) recognizes the opportunities and threats stakeholders present.
  - D) decides a course of action to address the stakeholders' concerns.
- 86) Define strategic leadership.
- 87) Explain the role of power in the strategic leadership process
- 88) What does the upper-echelons theory propagate?
- 89) Briefly describe the level-5 leadership pyramid.
- 90) Who formulates a company's corporate strategy? What is the objective of this strategy?
- 91) What is a strategic business unit (SBU)? Explain with an example.
- 92) Describe the traditional top-down strategic planning process.
- 93) What is the drawback in top-down strategic planning?
- 94) What makes scenario planning more flexible than top-down strategic planning?
- 95) What are the arguments against top-down strategic planning and scenario planning?
- 96) Differentiate between a firm's intended, realized, and emergent strategies.
- 97) Discuss the role of lower-level employees in the strategy-as-planned-emergence approach.
- 98) Who are a firm's stakeholders?
- 99) A firm is embedded in a multifaceted exchange relationship with a number of diverse internal and external stakeholders. Elaborate on this statement and provide multiple examples of the exchange relationship between a firm and its stakeholders including what each party contributes.



100) What is meant by corporate social responsibility (CSR)?

101) Discuss the pyramid of corporate social responsibility (CSR).