

**The External and Internal Environments**

**True / False Questions**

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

**True False**

2. **The external environment includes all relevant forces outside an organization's boundaries.**

**True False**

3. **Inputs are the goods and services organizations take in and use to create products or services.**

**True False**

4. **A firm's competitive environment includes new entrants, substitutes, and rivals.**

**True False**

5. **An organization's macroenvironment includes its customers and suppliers.**

**True False**

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

**True False**

**7. While the stock market can impact a firm, it has no effect on the behavior of individual managers.**

**True False**

**8. Firms that develop strategies that do not include technological advances run the risk of becoming obsolescent.**

**True False**

**9. U.S. government policies both impose strategic constraints and provide opportunities for organizations.**

**True False**

**10. Regulatory agencies set rules but are typically weak institutions since they do not have the power to investigate company practices or to take legal action to ensure compliance with the law.**

**True False**

**11. Social metrics are measures of various characteristics of the people who make up groups or other social units.**

**True False**

**12. Immigration is a factor that significantly influences the U.S. population and labor force.**

**True False**

**13. Population growth is unrelated to the size and composition of the labor force.**

**True False**

**14. A more diverse workforce presents managers with challenges as well as opportunities.**

**True False**

**15. Family leave, flexible working hours, and child care assistance have been introduced as a result of the evolving societal trends.**

**True False**

**16. Michael Porter's model for competitive analysis is one example of analyzing the competitive environment for adapting to and even influencing the nature of competition.**

**True False**

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

**True False**

**18. As a first step in understanding their competitive environment, organizations must analyze how the competitors compete.**

**True False**

**19. A barrier to entry is a condition that prevents customers from using a firm's products or services.**

**True False**

**20. Cost is often a major barrier to entry into the marketplace.**

**True False**

**21. Organizations are at a disadvantage if they become overly dependent on any powerful supplier.**

**True False**

**22. Needing to learn a new software program as a result of changing suppliers is an example of a switching cost.**

**True False**

**23. Strategic maneuvering is the managing of the network of facilities and people that obtain materials from outside the organization, transform them into products, and distribute them to customers.**

**True False**

**24. The goal of supply chain management is having the right product in the right quantity at the right place at the right cost.**

**True False**

**25. The Internet has empowered customers by providing an easy source of information.**

**True False**

**26. Environmental uncertainty refers to the lack of information needed to understand or predict the future.**

**True False**

**27. Environmental scanning means searching for and sorting through information about the environment.**

**True False**

**28. Cognitive intelligence is the information that helps managers determine how to compete better.**

**True False**

**29. Benchmarking means identifying the best-in-class performance by a company in a given area and then comparing one's processes to theirs.**

**True False**

**30. Organizations that are defenders are more likely to engage in strategic maneuvering than are prospectors.**

**True False**

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

**True False**

**32. In an organization, buffering refers to leveling normal fluctuations at the boundaries of the environment.**

**True False**

**33. In a dynamic environment, bureaucratic organizations are more efficient than organic organizations.**

**True False**

**34. A strong organization culture is one in which everyone understands and believes in the firm's goals, priorities, and practices.**

**True False**

**35. Stories told by employees almost never have any connection to the true culture of the organization.**

**True False**

### **Multiple Choice Questions**

**36. Organizations are \_\_\_\_ systems, which means that they are affected by and in turn affect their external environments.**

**A. input**

**B. output**

**C. open**

**D. closed**

**E. social**

**37. Liz, a new manager at a company, has been asked to focus on the competitive environment of the organization. Which of the following is a factor Liz should focus on?**

**A. Government legislation**

**B. Culture**

**C. Demographics**

**D. Buyers**

**E. Technology**

**38. The immediate environment surrounding a firm is known as its:**

**A. macroenvironment.**

**B. demographic environment.**

**C. competitive environment.**

**D. internal environment.**

**E. economic environment.**

**39. \_\_\_\_\_ lead to new products, advanced production facilities, and better ways of managing and communicating.**

**A. Demographic shifts**

**B. Societal preferences**

**C. Political changes**

**D. Technological advances**

**E. Economic turbulences**

**40. Advances in genetic and bioengineering are expected to produce food products that will be available year-round even in unsuitable Northern climates. This provides grocers an opportunity to reduce shipping costs and provide fresher products to customers. These advances are an example of changes in the \_\_\_\_ environment.**

**A. technological**

**B. economic**

**C. political**

**D. demographic**

**E. biophysical**

**41. Using bribery as a business tactic may result in fines for U.S. firms. Which of the following types of environmental forces at work does this reflect?**

**A. Competitive**

**B. Economic**

**C. Legal**

**D. Technological**

**E. Demographic**

**42. \_\_\_\_ are specific government organizations in a firm's more immediate task environment.**

**A. Open systems**

**B. Regulators**

**C. Prospectors**

**D. Stakeholders**

**E. Defenders**



43. \_\_\_\_\_ are measures of various characteristics of the people who make up groups or other social units.

**A. Psychographics**

**B. Demographics**

**C. Domain selections**

**D. Lifestyle analytics**

**E. Group dynamics**

44. \_\_\_\_\_ trends regarding how people think and behave have major implications for management of the labor force, corporate social actions, and strategic decisions about products and markets.

**A. Psychological**

**B. Political**

**C. Economic**

**D. Technological**

**E. Societal**

45. Which of the following is an element of Michael Porter's model for analyzing the competitive environment of an organization?

**A. Substitutes**

**B. Cost strategy**

**C. Societal trends**

**D. Regulatory forces**

**E. Demographics**

**46. A firm's current competition, suppliers, customers, and the threat of new entrants or of substitutes are all elements in the \_\_\_\_.**

- A. task environment**
- B. Peter's model for organizational excellence**
- C. microenvironment**
- D. Porter's model for competitive environment**
- E. supply chain management**

**47. Venus was a low-cost airline that was functional in the 1980s. Industry analysts state that although Venus was able to provide all the services the customers wanted, it was thrown out of business because of aggressive pricing from larger airline firms. Which of the following aspects of the competitive environment does this scenario illustrate?**

- A. Customers**
- B. Rivals**
- C. Regulators**
- D. The economy**
- E. Social trends**

**48. Conditions that may prevent new firms from entering an industry are referred to as \_\_\_\_.**

- A. barriers to entry**
- B. strategic maneuvers**
- C. unfair trade practices**
- D. industry regulators**
- E. entry inhibitors**

49. Hospitals and universities are very expensive to run not only due to the capital equipment that is required for each but also due to the personnel such as specialized medical doctors and researchers. The cost of these types of institutions is an example of \_\_\_\_.
- A. a barrier to entry
  - B. environmental uncertainty
  - C. unfair competition
  - D. high switching costs
  - E. strategic maneuvering
50. A(n) \_\_\_\_ is a potential threat; customers use it as an alternative, buying less of one kind of product but more of another.
- A. new entrant
  - B. substitute
  - C. ensemble
  - D. divestiture
  - E. complement
51. If many factors prevent new companies from entering an industry, the:
- A. threat of new entrants is more serious.
  - B. threat of competitive rivalry is high.
  - C. threat to established firms is less serious.
  - D. new companies can easily compete with the established ones.
  - E. industry is said to have just a few barriers to entry.

**52. Which of the following is an example of a potential substitute product?**

- A. Hand sanitizer for soaps**
- B. Ink cartridges for printers**
- C. Mops for detergent**
- D. iTunes for iPods**
- E. Furniture for apartments**

**53. Organizations must acquire a variety of resources in order to produce a product or service of value. These resources may include materials, equipment, financing, or even employees. The sources that provide these various resources are referred to as \_\_\_\_\_.**

- A. warehouse clubs**
- B. regulators**
- C. retailers**
- D. suppliers**
- E. prospectors**

**54. \_\_\_\_\_ are fixed costs buyers face if they change suppliers.**

- A. Changing costs**
- B. Switching costs**
- C. Renewable costs**
- D. Exchange costs**
- E. Sunk costs**

**55. Laredo Bank & Trust uses the janitorial services of ProKleen, which provides necessary cleaning supplies, personnel training, and maintenance services. The other available janitorial services do not provide maintenance services. In this case, if Laredo decides to terminate ProKleen's services and shift to some other agency, it is likely to create \_\_\_\_.**

- A. high employment costs**
- B. redemption costs**
- C. favorable quality status**
- D. complementary products**
- E. high switching costs**

**56. \_\_\_\_ refers to management of the network of facilities and people that obtain materials from the outside, transform them into products, and distribute the products to customers.**

- A. Inventory management**
- B. Strategic maneuvering**
- C. Human resource management**
- D. Customer service**
- E. Supply chain management**

**57. A customer who purchases raw materials or wholesale products before selling them to other parties is known as a(n) \_\_\_\_.**

- A. final purchaser**
- B. intermediate consumer**
- C. final customer**
- D. first-tier supplier**
- E. preliminary customer**

58. **The main difference between a final consumer and an intermediate consumer is that:**
- A. the final consumer purchases finished products, whereas an intermediate consumer only buys raw materials.**
  - B. intermediate consumers buy raw materials and sell finished products to final consumers, whereas final consumers use the finished products.**
  - C. final consumers make more purchases than the intermediate consumers.**
  - D. unlike final consumers, intermediate consumers provide monetary benefits to organizations by purchasing their products.**
  - E. final consumers tend to have more bargaining power than intermediate consumers.**
59. **Giving consumers what they want or need, the way they want it, the first time is known as\_\_\_\_\_.**
- A. planned merchandise**
  - B. planned obsolescence**
  - C. customer service**
  - D. cause marketing**
  - E. operations management**
60. **Environmental\_\_\_\_\_ refers to the degree of discontinuous change that occurs within the industry.**
- A. complexity**
  - B. dysfunction**
  - C. contracting**
  - D. cooptation**
  - E. dynamism**

**61. Ranier Outdoor Clothing managers engage in an annual organizational assessment, trying to predict industry changes as well as possible opportunities and threats. They look at issues such as who their competitors are, current entry barriers, and what substitutes exist for their products. This assessment is called \_\_\_\_.**

- A. scenario development**
- B. forecasting**
- C. benchmarking**
- D. environmental scanning**
- E. strategic maneuvering**

**62. An outcome of environmental scanning is \_\_\_\_, the information necessary to decide how best to manage in the competitive environment managers have identified.**

- A. corporate governance**
- B. strategic vision**
- C. competitive intelligence**
- D. corporate espionage**
- E. competitive dissertation**

**63. \_\_\_\_ refers to a narrative that describes a particular set of future conditions for a business.**

- A. Benchmarking**
- B. A scenario**
- C. Strategic maneuvering**
- D. A divestiture**
- E. Strategic vision**

64. \_\_\_\_\_ create alternative combinations of different factors into a total picture of the environment and a firm.

**A. Scenarios**

**B. Forecasts**

**C. Benchmarks**

**D. Competitive intelligences**

**E. Strategic maneuvers**

65. Which of the following combinations can result in a best-case scenario?

**A. Many competitors, high threat with few entry barriers, and few customers**

**B. Many competitors, high threat with few entry barriers, and many customers**

**C. Few entry barriers, many substitutes, many customers**

**D. High industry growth, low threat with many entry barriers, and customers with low bargaining power**

**E. Low industry growth, high threat with few entry barriers, and suppliers with low bargaining power**

66. The method for predicting how variables will change in the future is known as \_\_\_\_\_.

**A. budgeting**

**B. buffering**

**C. forecasting**

**D. benchmarking**

**E. scanning**



67. Which of the following is true about using forecasts?
- A. Multiple forecasts are best, and their predictions can be averaged.
  - B. Forecasts become more accurate while predicting further into the future.
  - C. Forecasts are useless when the future will look radically different from the past.
  - D. The more complex the forecast, the more accurate are the predictions.
  - E. The accuracy of forecasts does not vary from one application to another.
68. \_\_\_\_\_ refers to the process of comparing an organization's practices and technologies with those of other companies.
- A. Scenario planning
  - B. Forecasting
  - C. Benchmarking
  - D. Environmental scanning
  - E. Strategic maneuvering
69. To improve customer service in its overseas call center, Jansen Electronics decided to investigate the call center practices of competing companies. The team discovered that a smaller company, Gorilla Devices Inc., seemed to have outstanding customer service. The team then determined differences between the organizations and developed a plan to incorporate the best elements of Gorilla into Jansen. This illustrates \_\_\_\_\_.
- A. environmental dynamism
  - B. benchmarking
  - C. strategic maneuvering
  - D. cooperative action
  - E. forecasting

70. Domain selection, diversification, mergers/acquisitions, and divestiture are all examples of \_\_\_\_\_.

**A. illegal boundary management**

**B. maneuvering the competition**

**C. strategic maneuvering**

**D. independent strategies**

**E. portfolio maneuvering**

71. \_\_\_\_\_ occurs when a firm invests in different types of businesses or products or when it expands geographically to reduce its dependence on a single market or technology.

**A. Domain selection**

**B. Diversification**

**C. Acquisition**

**D. Divestiture**

**E. Empowerment**

72. The entrance by a company into another market or industry for which it has an existing expertise is called \_\_\_\_\_.

**A. benchmarking**

**B. strategic positioning**

**C. outsourcing**

**D. domain selection**

**E. cooptation**

73. **One firm buying another is called a(n)\_\_\_\_\_.**
- A. merger**
  - B. acquisition**
  - C. divestiture**
  - D. prospective**
  - E. defender**
74. **Valley Organic Meats recently announced that it was selling off its pork division in order to realign itself more competitively in the marketing of its other products. Which of the following strategic maneuvers is illustrated in this scenario?**
- A. Diversification**
  - B. An acquisition**
  - C. A merger**
  - D. Divestiture**
  - E. Domain selection**
75. **Two general types of proactive strategies for influencing an organization's environment are \_\_\_\_\_**
- A. dependent strategies and independent strategies.**
  - B. independent action and cooperative action.**
  - C. cooperative strategies and strategic maneuvering.**
  - D. strategic maneuvering and dependent strategies.**
  - E. independent action and strategic maneuvering.**

76. \_\_\_\_ strategies are used by an organization acting on its own to change some aspect of its current environment.

A. Flexible

B. Buffering

C. Independent

D. Smoothing

E. Cooperative

77. Purple Lotus and GreenBolt are two leading e-commerce companies. Recently, Purple Lotus engaged in an online price war with GreenBolt in order to gain greater market share. This is an example of \_\_\_\_ on the part of Purple Lotus.

A. cooptation

B. voluntary action

C. competitive pacification

D. competitive aggression

E. environmental scanning

78. Dan's FroYo is a company that sells different varieties of frozen yogurt. When Dan's FroYo spends its own money to promote the frozen yogurt industry as a whole, the company is practicing \_\_\_\_.

A. competitive aggression

B. competitive pacification

C. public relations

D. voluntary cooptation

E. comparative action

79. When a brand advertises its products as being superior to that of its competitors, it is demonstrating\_\_\_\_\_.
- A. competitive aggression
  - B. competitive pacification
  - C. benchmarking
  - D. political action
  - E. cooptation
80. When two or more companies work together to manage their external environment, they are using \_\_\_\_\_.
- A. monopolistic strategies
  - B. strategic maneuvering
  - C. cooperative strategies
  - D. dependent strategies
  - E. competitive strategies
81. Quartermaine University has just formed a board of trustees and invited 25 of its wealthiest alumni to join. In this example, Quartermaine University is demonstrating\_\_\_\_\_.
- A. contraction
  - B. cooptation
  - C. coalition
  - D. political action
  - E. voluntary action

**82. Western Allied Health and Grant Pharmaceuticals are two pharmaceutical companies that have joined forces with one another to lobby against a controversial Medicare reform. This action is referred to as .**

**A. contraction**

**B. coalition**

**C. cooptation**

**D. domain selection**

**E. benchmarking**

**83. The process of sharing power with employees is called\_\_\_\_\_.**

**A. empowerment**

**B. downgrading**

**C. benchmarking**

**D. vertical synergy**

**E. power building**

**84. Candace recently got promoted to a managerial role in a bureaucratic organization. The industry had been changing dramatically, and Candace suggested that the management team encourage employees to develop confidence by giving them some control and authority in order to create a more flexible, adaptable organization. Here, Candace is suggesting the use of \_\_\_\_\_ with employees.**

**A. smoothing**

**B. benchmarking**

**C. empowerment**

**D. cooptation**

**E. coalition**

**85. Creating supplies of excess resources in case of unpredictable needs is known as \_\_\_\_\_.**

**A. cooptation**

**B. smoothing**

**C. flexible processing**

**D. empowering**

**E. buffering**

**86. Alyssa owns Carver Gifts, a handmade greeting cards store. She is projecting that the economy will rebound this fall. She ordered additional holiday gift merchandise in February in anticipation of possible surge in sales during the holiday season. In this case, which of the following methods is Alyssa using to be sure she has enough gifts for those extra holiday customers?**

**A. Just-in-time inventory management**

**B. Smoothing**

**C. Benchmarking**

**D. Buffering**

**E. Diversification**

**87. Leveling normal fluctuations at the boundaries of the environment is called\_\_\_\_\_.**

**A. buffering**

**B. smoothing**

**C. flexible processing**

**D. empowerment**

**E. coalition**

**88. Methods for adapting the technical core to changes in the environment are known as\_\_\_\_\_.**

**A. flexible processes**

**B. smoothing effects**

**C. buffering techniques**

**D. benchmarking tools**

**E. environmental scanners**



**89. NBIC (National Bicycle Industrial Company) of Japan specializes in mass customization in order to cater to the changing demands of its customers. Customers can choose the frame and other parts of the bicycle and it is made according to their order. This is one example of how NBIC uses \_\_\_\_.**

**A. cooptation**

**B. flexible processes**

**C. smoothing techniques**

**D. benchmarking**

**E. diversification**

**90. The set of important assumptions about an organization and its goals and practices that members of the company share is called organization \_\_\_\_.**

**A. culture**

**B. design**

**C. climate**

**D. layout**

**E. structure**

**91. Purple Technology is a communication and information technology corporation. The company makes it a point to stress to its employees that innovation is its core strength. The employees even get an hour a day to brainstorm and come up with out-of-the-box ideas. This highlights the \_\_\_\_\_ of the company.**

- A. cooperative strategies**
- B. external environment**
- C. organization culture**
- D. competitive pacification**
- E. domain selection**

**92. Which of the following can be a useful clue about an organization's culture?**

- A. The way employees interact with each other**
- B. Information printed in the media about stock prices**
- C. The macroenvironment**
- D. The personality characteristics of employees**
- E. The industrial environment**

**93. Which of the following statements about organizational culture is true?**

- A. Corporate mission statements are always a true expression of a firm's culture.**
- B. Who is hired and fired and why indicate the firm's real value and are a clue to the culture.**
- C. A firm with a strong culture will have different people holding different values.**
- D. A culture that was advantageous in a prior era continues to be so in a new environment.**
- E. It is unnecessary to consider culture when considering a merger.**

94. According to the competing values model, if an organization's culture is internally oriented and flexible and tends to be based on the values and norms associated with affiliation, it could be best described as a(n) \_\_\_\_.

- A. group culture
- B. hierarchical culture
- C. rational culture
- D. adhocracy
- E. closed system

95. According to the competing values model, if an organization's culture is externally oriented and focused on control with its primary objectives as productivity, planning, and efficiency, it could be best described as a(n) \_\_\_\_ culture.

- A. group
- B. hierarchical
- C. rational
- D. adhocracy
- E. values-oriented

96. The attitude and behavior patterns that shape people's experience of an organization is called an organizational \_\_\_\_.

- A. culture
- B. climate
- C. environment
- D. strategy
- E. adhocracy

**Scenario A. Connie's Collectibles is a small retail store that specializes in antique jewelry. In analyzing the environment, Connie has uncovered the following interesting findings:**

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

**97. In Scenario A, which of the following elements of the macroenvironment was part of Connie's findings?**

- A. Sustainability**
- B. Psychology**
- C. Corporate governance**
- D. Sociology**
- E. Technology**

98. When Connie read the survey of regional businesses, she was investigating\_\_\_\_\_.
- A. the competitive environment
  - B. the macroenvironment
  - C. a closed environment
  - D. the internal environment
  - E. the social environment
99. Findings about changing customer preferences and others who sell antique jewelry are associated with the:
- A. competitive environment as described by Porter.
  - B. macroenvironmental economic trends.
  - C. macroenvironmental political trends.
  - D. amount of rivalry in Connie's internal environment.
  - E. barriers to entry in Connie's competitive environment.
100. Which of the following elements of the macroenvironment is most closely associated with the findings about the historical preservation district?
- A. Laws and regulations
  - B. The economy
  - C. Demographics
  - D. Technology
  - E. The natural environment

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

**101. Which of the following factors would have Jack considered while analyzing the competitive environment?**

- A. Technology**
- B. Substitutes**
- C. Legal factors**
- D. Economic factors**
- E. Demographics**

**102. The information that Jack has collected in his competitive analysis can be referred to as \_\_\_\_.**

- A. corporate espionage**
- B. competitive intelligence**
- C. domain selection**
- D. strategic vision**
- E. mission statement**

**103. From Scenario B, based on Jack's analysis of the competitive environment, it can be inferred that:**

- A. the customers will face switching costs.**
- B. there are no competitors.**
- C. there are many substitutes.**
- D. there are no barriers to entry.**
- E. the threat of new entrants is high.**

**104. Which of the following factors is indicated by the fact that it will require a large capital investment to start a new casino?**

- A. High bargaining power of customers**
- B. Low threat of new entrants**
- C. High threat of new entrants**
- D. Many substitute products**
- E. Low bargaining power of customers**

**Scenario C. Smash Marketing is a consulting firm located in the Midwest. Mr. William "Bill" Smash started the firm as a young man in the early 1950s. The firm has grown, but with growth, it has never forgotten the vision of Mr. Smash: to be creative in all that the firm does while delighting the client. Each year the Smash Award for Advertising Creativity is given to the employee who most exemplifies Mr. Smash's vision. New employees are told of the organization's greatest accomplishments and are taken on a tour of the "Wall of Memories," where pictures of the company taken over the years are hung. One is even included to remind everyone of the disastrous fire that the company not only survived but also built upon to strengthen the sense of teamwork, which is clearly evident throughout the firm. Managers at the firm tend to be more like mentors and facilitators. In fact, there is a long tradition of employee participation in decision making, and all employees consider themselves to be part of the "Smash Family."**

**105. The stories about Bill Smash and his vision influencing the employees of the organization are all clues to understanding the \_\_\_\_.**

- A. organization culture**
- B. company's macroenvironment**
- C. organization's competitive environment**
- D. collective competitive intelligence**
- E. organizational structure**

**106. The culture at Smash Marketing can be best described as a \_\_\_\_ culture.**

- A. group**
- B. hierarchical**
- C. rational**
- D. bureaucratic**
- E. rigid**

**107. Based on the information in Scenario C, which of the following is likely to be the dominant attribute of Smash Marketing?**

- A. Rules and regulations**
- B. Cohesiveness**
- C. Competitiveness**
- D. Risk taking**
- E. Entrepreneurship**



**Scenario D. Margarita works for a small company that deals with processed and canned tomatoes and other vegetables. She reports to the CFO. It is her job to predict the costs of raw materials for the next five years. She uses various research sources, including the news, to learn who the competitors are and what they have been doing. In fact, she subscribes to an analyst e-newsletter that tells her about crop availability and weather conditions all around the globe. Every month she develops a spreadsheet for her boss indicating the likely costs of vegetables given the type of weather conditions expected in each area of the world and thus the availability of particular crops. She is also involved in a team that is investigating how to cut canning costs. They have recently met with Good Cans, a company that manufactures and cans tennis balls. Good Cans is considered the top company in the canning industry, especially in canning process knowledge. Margarita's team is comparing their processes to those of Good Cans to see how they might improve.**

**108. When predicting the costs for her company, Margarita is engaging in \_\_\_\_.**

- A. forecasting**
- B. competitive intelligence**
- C. environmental scanning**
- D. benchmarking**
- E. scenario development**

**109. The information Margarita is using to compete in a better way is called \_\_\_\_.**

- A. mission statement**
- B. competitive intelligence**
- C. best-case scenario**
- D. organizational database**
- E. knowledge document**

**110. The spreadsheet that Margarita uses gives her a chance to examine different projections, which is a form of\_\_\_\_\_.**

- A. divestiture**
- B. strategic maneuvering**
- C. domain selection**
- D. benchmarking**
- E. scenario development**

**111. Which of the following is Margarita and her team using when they learn from Good Cans about its canning process?**

- A. Forecasting**
- B. Strategic maneuvering**
- C. Domain selection**
- D. Benchmarking**
- E. Scenario development**

## **Essay Questions**

**112. List the elements of a firm's macroenvironment and illustrate how each affects the firm.**

**113. Explain how a company can work societal trends to its advantage.**

**114. Explain how technology can help an organization.**

**115. Discuss how immigration patterns influence the management of the U.S. labor force.**

**116. Explain how sustainability and natural environment affect the management of an organization.**

**117. Describe the five forces in Michael Porter's model of the competitive environment.**

**118. List actions and attitudes that result in excellent customer service.**

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

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

**121. Briefly describe the three categories of options managers and companies have when responding to their environment.**

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

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

**124. Contrast bureaucratic and organic organizations.**

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

**126. Describe the culture of an organization that you have either worked in or studied about. Which of the four types of organizational culture described in the chapter does the organization illustrate? Justify your answer.**

## Chapter 02 The External and Internal Environments **Answer Key**

### True / False Questions

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

**TRUE**

**Organizations are open systems—that is, they are affected by and in turn affect their external environments. For example, they take in inputs from their environment and use them to create products and services that are outputs to their environment.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Learning Objective: 02-01 Describe how environmental forces influence organizations and how organizations can influence their environments.*

*Level of Difficulty: 1 Easy*

*Topic: Introduction*

2. **The external environment includes all relevant forces outside an organization's boundaries.**

**TRUE**

**The term external environment means more than an organization's clients or customers. The external environment includes all relevant forces outside the organization's boundaries.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*



*Learning Objective: 02-01 Describe how environmental forces influence organizations and how organizations can influence their environments.*

*Level of Difficulty: 1 Easy*

*Topic: Introduction*

- 3. Inputs are the goods and services organizations take in and use to create products or services.**

**TRUE**

**Inputs are the goods and services organizations take in and use to create products or services.**

**Outputs are the products and services organizations create.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Learning Objective: 02-01 Describe how environmental forces influence organizations and how organizations can influence their environments.*

*Level of Difficulty: 1 Easy*

*Topic: Introduction*

- 4. A firm's competitive environment includes new entrants, substitutes, and rivals.**

**TRUE**

**An organization exists in its competitive environment, which is composed of the firm and its rivals, suppliers, customers (buyers), new entrants, and substitute or complementary products.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Understand*

*Learning Objective: 02-01 Describe how environmental forces influence organizations and how organizations can influence their environments.*

*Level of Difficulty: 1 Easy*

*Topic: Introduction*

5. **An organization's macroenvironment includes its customers and suppliers.**

**FALSE**

**An organization exists in its competitive environment. At the more general level is the macroenvironment, which includes legal, political, economic, technological, demographic, and social and natural factors that generally affect all organizations.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Understand*

*Learning Objective: 02-01 Describe how environmental forces influence organizations and how organizations can influence their environments.*

*Level of Difficulty: 2 Medium*

*Topic: Introduction*

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

**FALSE**

**An important economic influence on a company is the stock market. When investors bid up stock prices, they are paying more to own shares in companies, which means the companies have more capital to fuel their strategies.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Understand*

*Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.*

*Level of Difficulty: 2 Medium*

*Topic: The Macroenvironment*

7. **While the stock market can impact a firm, it has no effect on the behavior of individual managers.**

**FALSE**

**The stock market can have a profound effect on the behavior of individual managers. In publicly held companies, managers throughout the organization may feel required to meet the stock market's earnings expectations.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Understand*

*Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.*

*Level of Difficulty: 2 Medium*

*Topic: The Macroevironmen*

8. **Firms that develop strategies that do not include technological advances run the risk of becoming obsolescent.**

**TRUE**

**Today a company cannot succeed without incorporating into its strategy the astonishing technologies that exist and continue to evolve. Technological advances create new products, advanced production techniques, and better ways of managing and communicating.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Understand*

*Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.*

*Level of Difficulty: 2 Medium*

*Topic: The Macroevironment*

9. **U.S. government policies both impose strategic constraints and provide opportunities for organizations.**

**TRUE**

**U.S. government policies impose strategic constraints on organizations but may also provide opportunities. The government can affect business opportunities through tax laws, economic policies, and international trade rulings. An example of restraint on business action is the U.S. government's standards regarding bribery.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Understand*

*Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.*

*Level of Difficulty: 2 Medium*

*Topic: The Macroenvironment*

10. **Regulatory agencies set rules but are typically weak institutions since they do not have the power to investigate company practices or to take legal action to ensure compliance with the law.**

**FALSE**

**Regulators are specific government organizations in a firm's more immediate task environment. Regulatory agencies have the power to investigate company practices and take legal action to ensure compliance with laws.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Understand*

*Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.*

*Level of Difficulty: 2 Medium*

*Topic: The Macroenvironment*

11. **Social metrics are measures of various characteristics of the people who make up groups or other social units.**

**FALSE**

**Demographics are measures of various characteristics of the people who make up groups or other social units. Work groups, organizations, countries, markets, and societies can be described statistically by referring to demographic measures such as their members' age, gender, family size, income, education, occupation, and so forth.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.*

*Level of Difficulty: 1 Easy*

*Topic: The Macroenvironment*

12. **Immigration is a factor that significantly influences the U.S. population and labor force.**

**FALSE**

**A factor that significantly influences the U.S. population and labor force is immigration. Immigrants represent over 15 percent of the U.S. workforce, although they are a stronger presence in the West (almost 24 percent of the workforce) than in the Midwest (less than 8 percent).**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.*

*Level of Difficulty: 1 Easy*

*Topic: The Macroenvironment*

13. **Population growth is unrelated to the size and composition of the labor force.**

**FALSE**

**Managers must consider workforce demographics in formulating their human resources strategies. Population growth influences the size and composition of the labor force.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Understand*

*Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.*

*Level of Difficulty: 2 Medium*

*Topic: The Macroenvironment*

14. **A more diverse workforce presents managers with challenges as well as opportunities.**

**TRUE**

**A more diverse workforce has many advantages, but managers have to make certain they provide equality for women and minorities with respect to employment, advancement, opportunities, and compensation.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Understand*

*Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments*

*Level of Difficulty: 2 Medium*

*Topic: The Macroenvironment*

15. **Family leave, flexible working hours, and child care assistance have been introduced as a result of the evolving societal trends.**

**TRUE**

**Societal trends regarding how people think and behave have major implications for management of the labor force, corporate social actions, and strategic decisions about products and markets. For example, today more women are having children and then returning to the workforce. As a result companies have introduced more supportive policies, including family leave, flexible working hours, and child care assistance.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Understand*

*Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.*

*Level of Difficulty: 2 Medium*

*Topic: The Macroenvironment*

16. **Michael Porter's model for competitive analysis is one example of analyzing the competitive environment for adapting to and even influencing the nature of competition.**

**TRUE**

**In strategic decision making, Michael Porter's model is an excellent method to help managers analyze the competitive environment and adapt to or influence the nature of their competition.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 1 Easy*

*Topic: The Competitive Environment*

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

**TRUE**

**Michael Porter's model says that the competitive environment includes rivalry among current competitors and the impact of new entrants, substitute and complementary products, suppliers, and customers. According to Porter, successful managers do more than simply react to the environment; they act in ways that actually shape or change the organization's environment.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Understand*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 2 Medium*

*Topic: The Competitive Environment*

18. **As a first step in understanding their competitive environment, organizations must analyze how the competitors compete.**

**FALSE**

**As a first step in understanding the competitive environment, organizations must identify their competitors. Once competitors have been identified, the next step is to analyze how they compete.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Understand*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 2 Medium*

*Topic: The Competitive Environment*



19. **A barrier to entry is a condition that prevents customers from using a firm's products or services.**

**FALSE**

**Barriers to entry are conditions that prevent new companies from entering an industry. Some major barriers to entry are government policy, capital requirements, brand identification, cost disadvantages, and distribution channels.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Understand*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 2 Medium*

*Topic: The Competitive Environment*

20. **Cost is often a major barrier to entry into the marketplace.**

**TRUE**

**Barriers to entry are conditions that prevent new companies from entering an industry. Some major barriers to entry are government policy, capital requirements, brand identification, cost disadvantages, and distribution channels.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Understand*

*Learning Objective: 02-04 Identify elements of the competitive environment*

*Level of Difficulty: 2 Medium*

*Topic: The Competitive Environment*

21. **Organizations are at a disadvantage if they become overly dependent on any powerful supplier.**

**TRUE**

**Organizations are at a disadvantage if they become overly dependent on any powerful supplier. A supplier is powerful if the buyer has few other sources of supply or if the supplier has many other buyers.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 1 Easy*

*Topic: The Competitive Environment*

22. **Needing to learn a new software program as a result of changing suppliers is an example of a switching cost.**

**TRUE**

**Dependence on suppliers results from high switching costs—the fixed costs buyers face if they change suppliers. For example, once a buyer learns how to operate a supplier's equipment, such as computer software, the buyer faces both economic and psychological costs in changing to a new supplier.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Understand*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 2 Medium*

*Topic: The Competitive Environment*

23. **Strategic maneuvering is the managing of the network of facilities and people that obtain materials from outside the organization, transform them into products, and distribute them to customers.**

**FALSE**

**Supply chain management is the managing of the entire network of facilities and people that obtain raw materials from outside the organization, transform them into products, and distribute them to customers.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 1 Easy*

*Topic: The Competitive Environment*

24. **The goal of supply chain management is having the right product in the right quantity at the right place at the right cost.**

**TRUE**

**Today the goal of effective supply chain management is to have the right product in the right quantity available at the right place at the right cost. In recent years, supply chain management has become an increasingly important contributor to a company's competitiveness and profitability.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 1 Easy*

*Topic: The Competitive Environment*

25. **The Internet has empowered customers by providing an easy source of information.**

**TRUE**

**The Internet has empowered customers. It provides an easy source of information, both about product features and about pricing.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Understand*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 2 Medium*

*Topic: The Competitive Environment*

26. **Environmental uncertainty refers to the lack of information needed to understand or predict the future.**

**TRUE**

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

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 1 Easy*

*Topic: Environmental Analysis*

27. **Environmental scanning means searching for and sorting through information about the environment.**

**TRUE**

**Environmental scanning means both searching out information that is unavailable to most people and sorting through that information to interpret what is important and what is not.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 1 Easy*

*Topic: Environmental Analysis*

28. **Cognitive intelligence is the information that helps managers determine how to compete better.**

**FALSE**

**Competitive intelligence is the information that helps managers determine how to compete better. Using environmental scanning, managers develop competitive intelligence, the information necessary to decide how best to manage in the competitive environment they have identified.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 1 Easy*

*Topic: Environmental Analysis*

29. **Benchmarking means identifying the best-in-class performance by a company in a given area and then comparing one's processes to theirs.**

**TRUE**

**Benchmarking means identifying the best-in-class performance by a company in a given area, say, product development or customer service, and then comparing your processes to theirs. To accomplish this, a benchmarking team would collect information on its own company's operations and those of the other firm to determine gaps.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 1 Easy*

*Topic: Environmental Analysis*

30. **Organizations that are defenders are more likely to engage in strategic maneuvering than are prospectors.**

**FALSE**

**Organizations engage in strategic maneuvering when they move into different environments. Some companies, called prospectors, are more likely than others to engage in strategic maneuvering. Defenders, in contrast, stay within a more limited, stable product domain.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 1 Easy*

*Topic: Responding to the Environment*

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

**TRUE**

**The process of sharing power with employees, thereby enhancing their confidence in their ability to perform their jobs and their belief that they are influential contributors to the organization is called empowerment.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Apply*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 3 Hard*

*Topic: Responding to the Environment*

32. **In an organization, buffering refers to leveling normal fluctuations at the boundaries of the environment.**

**FALSE**

**In an organization, smoothing refers to leveling normal fluctuations at the boundaries of the environment. Buffering creates supplies of excess resources to meet unpredictable needs.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 1 Easy*

*Topic: Responding to the Environment*

33. **In a dynamic environment, bureaucratic organizations are more efficient than organic organizations.**

**FALSE**

**While bureaucratic organizations may be efficient and controlled if the environment is stable, they tend to be slow-moving and plodding in a dynamic environment in which products, technologies, customers, or competitors are changing over time. In these cases, more organic structures give organizations the flexibility to adjust to change.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Understand*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 2 Medium*

*Topic: Responding to the Environment*

34. **A strong organization culture is one in which everyone understands and believes in the firm's goals, priorities, and practices.**

**TRUE**

**Cultures can be strong or weak; strong cultures can have great influence on how people think and behave. A strong culture is one in which everyone understands and believes in the firm's goals, priorities, and practices.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Understand*

*Learning Objective: 02-07 Discuss how an organization's culture and climate affect its response to its external environment.*

*Level of Difficulty: 2 Medium*

*Topic: The Internal Environment of Organizations: Culture and Climate*



35. **Stories told by employees almost never have any connection to the true culture of the organization.**

**FALSE**

**The stories people tell carry a lot of information about the company's culture. Every company has its myths, legends, and true stories about important past decisions and actions that convey the company's main values.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Understand*

*Learning Objective: 02-07 Discuss how an organization's culture and climate affect its response to its external environment.*

*Level of Difficulty: 2 Medium*

*Topic: The Internal Environment of Organizations: Culture and Climate*

## **Multiple Choice Questions**

36. **Organizations are \_\_\_\_ systems, which means that they are affected by and in turn affect their external environments.**

- A. input**
- B. output**
- C. open**
- D. closed**
- E. social**

**Organizations are open systems; that is, they are affected by and in turn affect their external environments. For example, they take in inputs from their environment and use them to create products and services that are outputs to their environment.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Learning Objective: 02-01 Describe how environmental forces influence organizations and how organizations can influence their environments.*

*Level of Difficulty: 1 Easy*

*Topic: Introduction*

37. **Liz, a new manager at a company, has been asked to focus on the competitive environment of the organization. Which of the following is a factor Liz should focus on?**

- A. Government legislation**
- B. Culture**
- C. Demographics**
- D. Buyers**
- E. Technology**

**The competitive environment is composed of the firm and its rivals, suppliers, customers (buyers), new entrants, and substitute or complementary products. At the more general level is the macroenvironment, which includes legal, political, economic, technological, demographic, and social and natural factors that generally affect all organizations.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Apply*

*Learning Objective: 02-01 Describe how environmental forces influence organizations and how organizations can influence their environments.*

*Level of Difficulty: 3 Hard*

*Topic: Introduction*

**38. The immediate environment surrounding a firm is known as its:**

- A. macroenvironment.**
- B. demographic environment.**
- C. competitive environment.**
- D. internal environment.**
- E. economic environment.**

**Competitive environment is the immediate environment surrounding a firm; it includes suppliers, customers, rivals, and the like.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Learning Objective: 02-01 Describe how environmental forces influence organizations and how organizations can influence their environments.*

*Level of Difficulty: 1 Easy*

*Topic: Introduction*

39. \_\_\_\_\_ lead to new products, advanced production facilities, and better ways of managing and communicating.

- A. Demographic shifts
- B. Societal preferences
- C. Political changes
- D. Technological advances
- E. Economic turbulences

**Technological advances create new products, advanced production techniques, and better ways of managing and communicating. In addition, as technology evolves, new industries, markets, and competitive niches develop.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Understand*

*Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.*

*Level of Difficulty: 2 Medium*

*Topic: The Macroenvironment*

40. **Advances in genetic and bioengineering are expected to produce food products that will be available year-round even in unsuitable Northern climates. This provides grocers an opportunity to reduce shipping costs and provide fresher products to customers. These advances are an example of changes in the \_\_\_\_\_ environment.**

**A. technological**

**B. economic**

**C. political**

**D. demographic**

**E. biophysical**

**Technological advances create new products, advanced production techniques, and better ways of managing and communicating. In addition, as technology evolves, new industries, markets, and competitive niches develop.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Apply*

*Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.*

*Level of Difficulty: 3 Hard*

*Topic: The Macroenvironment*

41. **Using bribery as a business tactic may result in fines for U.S. firms. Which of the following types of environmental forces at work does this reflect?**

- A. Competitive**
- B. Economic**
- C. Legal**
- D. Technological**
- E. Demographic**

**An example of laws and regulations in the macroenvironment is the U.S. government's standards regarding bribery. In some countries, bribes and kickbacks are common and expected ways of doing business, but for U.S. firms they are illegal practices.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Understand*

*Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.*

*Level of Difficulty: 2 Medium*

*Topic: The Macroenvironment*

42. \_\_\_\_\_ are specific government organizations in a firm's more immediate task environment.

A. Open systems

B. Regulators

C. Prospectors

D. Stakeholders

E. Defenders

**Regulators are specific government organizations in a firm's more immediate task environment. Regulatory agencies have the power to investigate company practices and take legal action to ensure compliance with laws. The Securities and Exchange Commission is a regulatory agency.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.*

*Level of Difficulty: 1 Easy*

*Topic: The Macroenvironment*



43. \_\_\_\_\_ are measures of various characteristics of the people who make up groups or other social units.

A. Psychographics

B. Demographics

C. Domain selections

D. Lifestyle analytics

E. Group dynamics

**Demographics are measures of various characteristics of the people who make up groups or other social units. Work groups, organizations, countries, markets, and societies can be described statistically by referring to demographic measures such as their members' age, gender, family size, income, education, occupation, and so forth.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments*

*Level of Difficulty: 1 Easy*

*Topic: The Macroenvironment*

44. \_\_\_\_\_ trends regarding how people think and behave have major implications for management of the labor force, corporate social actions, and strategic decisions about products and markets.

A. Psychological

B. Political

C. Economic

D. Technological

E. Societal

**Societal trends regarding how people think and behave have major implications for management of the labor force, corporate social actions, and strategic decisions about products and markets. How companies respond to societal trends may affect their reputation in the marketplace.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.*

*Level of Difficulty: 1 Easy*

*Topic: The Macroenvironment*

45. **Which of the following is an element of Michael Porter's model for analyzing the competitive environment of an organization?**

- A. Substitutes**
- B. Cost strategy**
- C. Societal trends**
- D. Regulatory forces**
- E. Demographics**

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

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 1 Easy*

*Topic: The Competitive Environment*

46. **A firm's current competition, suppliers, customers, and the threat of new entrants or of substitutes are all elements in the\_\_\_\_\_.**

- A. task environment**
- B. Peter's model for organizational excellence**
- C. microenvironment**
- D. Porter's model for competitive environment**
- E. supply chain management**

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

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 1 Easy*

*Topic: The Competitive Environment*

47. **Venus was a low-cost airline that was functional in the 1980s. Industry analysts state that although Venus was able to provide all the services the customers wanted, it was thrown out of business because of aggressive pricing from larger airline firms. Which of the following aspects of the competitive environment does this scenario illustrate?**

- A. Customers**
- B. Rivals**
- C. Regulators**
- D. The economy**
- E. Social trends**

**The competitive environment includes rivalry among current competitors and the impact of new entrants, substitute and complementary products, suppliers, and customers. In this scenario, the larger airlines constitute the rivals of Venus. The competitive environment is composed in part of rival firms such as the larger airlines in this example.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Apply*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 3 Hard*

*Topic: The Competitive Environment*

48. **Conditions that may prevent new firms from entering an industry are referred to as \_\_\_\_.**

- A. barriers to entry**
- B. strategic maneuvers**
- C. unfair trade practices**
- D. industry regulators**
- E. entry inhibitors**

**Barriers to entry are conditions that prevent new companies from entering an industry. Patents are an example of a barrier to entry.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 1 Easy*

*Topic: The Competitive Environment*

49. **Hospitals and universities are very expensive to run not only due to the capital equipment that is required for each but also due to the personnel such as specialized medical doctors and researchers. The cost of these types of institutions is an example of \_\_\_\_.**

- A. a barrier to entry**
- B. environmental uncertainty**
- C. unfair competition**
- D. high switching costs**
- E. strategic maneuvering**

**Barriers to entry are conditions that prevent new companies from entering an industry. In this case, the industries are medicine and education, and the equipment and personnel are extremely expensive and perhaps scarce, leading to barriers to entry.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Apply*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 3 Hard*

*Topic: The Competitive Environment*

50. **A(n)\_\_\_\_\_ is a potential threat; customers use it as an alternative, buying less of one kind of product but more of another.**

**A. new entrant**

**B. substitute**

**C. ensemble**

**D. divestiture**

**E. complement**

**A substitute is a potential threat; customers use it as an alternative, buying less of one kind of product but more of another. A complement is a potential opportunity because customers buy more of a given product if they also demand more of the complementary product.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Learning Objective: 02-04 Identify elements of the competitive environment*

*Level of Difficulty: 1 Easy*

*Topic: The Competitive Environment*



51. **If many factors prevent new companies from entering an industry, the:**

- A. threat of new entrants is more serious.**
- B. threat of competitive rivalry is high.**
- C. threat to established firms is less serious.**
- D. new companies can easily compete with the established ones.**
- E. industry is said to have just a few barriers to entry.**

**If many factors prevent new companies from entering an industry, the threat to established firms is less serious. If there are few such barriers to entry, the threat of new entrants is more serious.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Understand*

*Learning Objective: 02-04 Identify elements of the competitive environment*

*Level of Difficulty: 2 Medium*

*Topic: The Competitive Environment*

52. **Which of the following is an example of a potential substitute product?**

- A. Hand sanitizer for soaps**
- B. Ink cartridges for printers**
- C. Mops for detergent**
- D. iTunes for iPods**
- E. Furniture for apartments**

**A substitute is a potential threat; customers use it as an alternative, buying less of one kind of product but more of another. Hand sanitizer is a substitute for soap, where customers can use it as an alternative. The remaining choices are examples of complements.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Apply*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 3 Hard*

*Topic: The Competitive Environment*

**53. Organizations must acquire a variety of resources in order to produce a product or service of value. These resources may include materials, equipment, financing, or even employees. The sources that provide these various resources are referred to as .**

**A. warehouse clubs**

**B. regulators**

**C. retailers**

**D. suppliers**

**E. prospectors**

**Organizations must acquire resources (inputs) from their environment and convert them into products or services (outputs) to sell. Suppliers provide resources needed for production in the form of people (trade schools and universities), raw materials (producers, wholesalers, and distributors), information (researchers and consulting firms), and financial capital (banks).**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 1 Easy*

*Topic: The Competitive Environment*

54. \_\_\_\_\_ are fixed costs buyers face if they change suppliers.

- A. Changing costs
- B. Switching costs
- C. Renewable costs
- D. Exchange costs
- E. Sunk costs

**Dependence on suppliers can result from high switching costs—the fixed costs buyers face if they change suppliers.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 1 Easy*

*Topic: The Competitive Environment*

55. **Laredo Bank & Trust uses the janitorial services of ProKleen, which provides necessary cleaning supplies, personnel training, and maintenance services. The other available janitorial services do not provide maintenance services. In this case, if Laredo decides to terminate ProKleen's services and shift to some other agency, it is likely to create\_\_\_\_\_.**

- A. high employment costs**
- B. redemption costs**
- C. favorable quality status**
- D. complementary products**
- E. high switching costs**

**Switching costs are fixed costs buyers face if they change suppliers. In this case, if the bank terminates ProKleen and hires a new agency, it would result in high switching costs, since it will have to spend additionally on maintenance.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Apply*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 3 Hard*

*Topic: The Competitive Environment*

56. \_\_\_\_\_ refers to management of the network of facilities and people that obtain materials from the outside, transform them into products, and distribute the products to customers.

- A. Inventory management
- B. Strategic maneuvering
- C. Human resource management
- D. Customer service
- E. Supply chain management

**Supply chain management refers to managing the entire network of facilities and people that obtain raw materials from outside the organization, transform them into products, and distribute them to customers. In recent years, supply chain management has become an increasingly important contributor to a company's competitiveness and profitability.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 1 Easy*

*Topic: The Competitive Environment*

57. **A customer who purchases raw materials or wholesale products before selling them to other parties is known as a(n)\_\_\_\_\_.**

- A. final purchaser**
- B. intermediate consumer**
- C. final customer**
- D. first-tier supplier**
- E. preliminary customer**

**Intermediate consumers buy raw materials or wholesale products and then sell to final consumers, as when Sony buys components from IBM and uses them to make PS3 consoles.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 1 Easy*

*Topic: The Competitive Environment*

**58. The main difference between a final consumer and an intermediate consumer is that:**

- A. the final consumer purchases finished products, whereas an intermediate consumer only buys raw materials.**
- B. intermediate consumers buy raw materials and sell finished products to final consumers, whereas final consumers use the finished products.**
- C. final consumers make more purchases than the intermediate consumers.**
- D. unlike final consumers, intermediate consumers provide monetary benefits to organizations by purchasing their products.**
- E. final consumers tend to have more bargaining power than intermediate consumers.**

**Intermediate consumers buy raw materials or wholesale products and then sell to final consumers, as when Sony buys components from IBM and uses them to make PS3 consoles. A final consumer is a customer who purchases products in their finished form.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Understand*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 2 Medium*

*Topic: The Competitive Environment*

59. **Giving consumers what they want or need, the way they want it, the first time is known as\_\_\_\_\_.**

- A. planned merchandise**
- B. planned obsolescence**
- C. customer service**
- D. cause marketing**
- E. operations management**

**Customer service means giving customers what they want or need, the way they want it, the first time. This usually depends on the speed and dependability with which an organization can deliver its products.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 1 Easy*

*Topic: The Competitive Environment*



60. **Environmental \_\_\_\_\_ refers to the degree of discontinuous change that occurs within the industry.**

- A. complexity**
- B. dysfunction**
- C. contracting**
- D. cooptation**
- E. dynamism**

**Environmental dynamism refers to the degree of discontinuous change that occurs within the industry. High-growth industries with products and technologies that change rapidly tend to be more uncertain than stable industries where change is less dramatic and more predictable.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 1 Easy*

*Topic: Environmental Analysis*

61. **Ranier Outdoor Clothing managers engage in an annual organizational assessment, trying to predict industry changes as well as possible opportunities and threats. They look at issues such as who their competitors are, current entry barriers, and what substitutes exist for their products. This assessment is called\_\_\_\_\_.**

- A. scenario development**
- B. forecasting**
- C. benchmarking**
- D. environmental scanning**
- E. strategic maneuvering**

**Environmental scanning means both searching out information that is unavailable to most people and sorting through that information to interpret what is important and what is not. Managers ask questions such as these: "Who are our current competitors?" "Are there few or many entry barriers to our industry?" and "What substitutes exist for our product or service?"**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Understand*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 2 Medium*

*Topic: Environmental Analysis*

**62. An outcome of environmental scanning is\_\_\_\_, the information necessary to decide how best to manage in the competitive environment managers have identified.**

- A. corporate governance**
- B. strategic vision**
- C. competitive intelligence**
- D. corporate espionage**
- E. competitive dissertation**

**Answers to environmental scanning questions help managers develop competitive intelligence, the information necessary to decide how best to manage in the competitive environment they have identified.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 1 Easy*

*Topic: Environmental Analysis*

63. \_\_\_\_\_ refers to a narrative that describes a particular set of future conditions for a business.

- A. Benchmarking
- B. A scenario
- C. Strategic maneuvering
- D. A divestiture
- E. Strategic vision

**As managers attempt to determine the effect of environmental forces on their organizations, they frequently develop scenarios of the future. A scenario is a narrative that describes a particular set of future conditions.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 1 Easy*

*Topic: Environmental Analysis*

64. \_\_\_\_\_ create alternative combinations of different factors into a total picture of the environment and a firm.

**A. Scenarios**

**B. Forecasts**

**C. Benchmarks**

**D. Competitive intelligences**

**E. Strategic maneuvers**

**As managers attempt to determine the effect of environmental forces on their organizations, they frequently develop scenarios of the future. Scenarios create alternative combinations of different factors into a total picture of the environment and the firm.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 1 Easy*

*Topic: Environmental Analysis*

65. **Which of the following combinations can result in a best-case scenario?**

- A. Many competitors, high threat with few entry barriers, and few customers**
- B. Many competitors, high threat with few entry barriers, and many customers**
- C. Few entry barriers, many substitutes, many customers**
- D. High industry growth, low threat with many entry barriers, and customers with low bargaining power**
- E. Low industry growth, high threat with few entry barriers, and suppliers with low bargaining power**

**High industry growth, many barriers to entry, and a situation where customers have low bargaining power are all events that are favorable to a firm and therefore can be considered as a best-case scenario.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Apply*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 3 Hard*

*Topic: Environmental Analysis*

66. **The method for predicting how variables will change in the future is known as\_\_\_\_\_.**

- A. budgeting**
- B. buffering**
- C. forecasting**
- D. benchmarking**
- E. scanning**

**Forecasting is used to predict exactly how some variable or variables will change in the future. For example, in making capital investments, firms may try to forecast how interest rates will change.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 1 Easy*

*Topic: Environmental Analysis*

67. **Which of the following is true about using forecasts?**

- A. Multiple forecasts are best, and their predictions can be averaged.**
- B. Forecasts become more accurate while predicting further into the future.**
- C. Forecasts are useless when the future will look radically different from the past.**
- D. The more complex the forecast, the more accurate are the predictions.**
- E. The accuracy of forecasts does not vary from one application to another.**

**Forecasting is a method for predicting how will change in the future. The best advice for using forecasts includes using multiple forecasts and averaging their predictions.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Understand*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 2 Medium*

*Topic: Environmental Analysis*

**68. \_\_\_\_\_ refers to the process of comparing an organization's practices and technologies with those of other companies.**

- A. Scenario planning**
- B. Forecasting**
- C. Benchmarking**
- D. Environmental scanning**
- E. Strategic maneuvering**

**Benchmarking refers to the process of comparing an organization's practices and technologies with those of other companies. To accomplish this, a benchmarking team would collect information on its own company's operations and those of the other firm to determine gaps.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 1 Easy*

*Topic: Environmental Analysis*



69. **To improve customer service in its overseas call center, Jansen Electronics decided to investigate the call center practices of competing companies. The team discovered that a smaller company, Gorilla Devices Inc., seemed to have outstanding customer service. The team then determined differences between the organizations and developed a plan to incorporate the best elements of Gorilla into Jansen. This illustrates \_\_\_\_.**

**A. environmental dynamism**

**B. benchmarking**

**C. strategic maneuvering**

**D. cooperative action**

**E. forecasting**

**Benchmarking refers to the process of comparing an organization's practices and technologies with those of other companies. To accomplish this, a benchmarking team would collect information on its own company's operations and those of the other firm to determine gaps.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Apply*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 3 Hard*

*Topic: Environmental Analysis*

70. **Domain selection, diversification, mergers/acquisitions, and divestiture are all examples of\_\_\_\_\_.**

- A. illegal boundary management**
- B. maneuvering the competition**
- C. strategic maneuvering**
- D. independent strategies**
- E. portfolio maneuvering**

**Strategic maneuvering is an organization's conscious efforts to change the boundaries of its task environment. Managers can use several strategic maneuvers, including domain selection, diversification, merger and acquisition, and divestiture.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Understand*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 2 Medium*

*Topic: Responding to the Environment*

71. \_\_\_\_\_ occurs when a firm invests in different types of businesses or products or when it expands geographically to reduce its dependence on a single market or technology.

A. Domain selection

B. Diversification

C. Acquisition

D. Divestiture

E. Empowerment

**Diversification occurs when a firm invests in different types of businesses or products or when it expands geographically to reduce its dependence on a single market or technology. Apple successfully diversified its product line when it added the iPod, iTunes, iPad, and iPhone to its offerings of personal computers.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 1 Easy*

*Topic: Responding to the Environment*

72. **The entrance by a company into another market or industry for which it has an existing expertise is called\_\_\_\_\_.**

- A. benchmarking**
- B. strategic positioning**
- C. outsourcing**
- D. domain selection**
- E. cooptation**

**Domain selection is the entrance by a company with an existing expertise into another suitable market or industry. For example, the market may have limited competition or regulation, ample suppliers and customers, or high growth.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 1 Easy*

*Topic: Responding to the Environment*

73. **One firm buying another is called a(n)\_\_\_\_\_.**

- A. merger**
- B. acquisition**
- C. divestiture**
- D. prospective**
- E. defender**

**An acquisition is one firm buying another. Acquisitions can offer greater efficiency from combined operations or can give companies relatively quick access to new markets or industries.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 1 Easy*

*Topic: Responding to the Environment*

74. **Valley Organic Meats recently announced that it was selling off its pork division in order to realign itself more competitively in the marketing of its other products. Which of the following strategic maneuvers is illustrated in this scenario?**

- A. Diversification**
- B. An acquisition**
- C. A merger**
- D. Divestiture**
- E. Domain selection**

**Divestiture occurs when a firm sells one or more of its businesses. In the given scenario, Valley Organic Meats selling one or more businesses, such as its pork division, is an example of divestiture.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Apply*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 3 Hard*

*Topic: Responding to the Environment*

75. **Two general types of proactive strategies for influencing an organization's environment are**

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- A. dependent strategies and independent strategies.**
- B. independent action and cooperative action.**
- C. cooperative strategies and strategic maneuvering.**
- D. strategic maneuvering and dependent strategies.**
- E. independent action and strategic maneuvering.**

**Managers and organizations can develop proactive responses aimed at changing the environment. Two general types of proactive responses are independent action and cooperative action.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 1 Easy*

*Topic: Responding to the Environment*

76. \_\_\_\_\_ strategies are used by an organization acting on its own to change some aspect of its current environment.

- A. Flexible
- B. Buffering
- C. Independent
- D. Smoothing
- E. Cooperative

Two general types of proactive responses are independent action and cooperative action. A company uses independent strategies when it acts on its own to change some aspect of its current environment.

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 1 Easy*

*Topic: Responding to the Environment*



77. **Purple Lotus and Green Bolt are two leading e-commerce companies. Recently, Purple Lotus engaged in an online price war with Green Bolt in order to gain greater market share. This is an example of \_\_\_\_ on the part of Purple Lotus.**

- A. cooptation**
- B. voluntary action**
- C. competitive pacification**
- D. competitive aggression**
- E. environmental scanning**

**Competitive aggression is exploiting a distinctive competence (such as Walmart being the world's largest retailer and offering aggressive pricing) or improving internal efficiency for competitive advantage. Examples include aggressive pricing and comparative advertising.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Apply*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 3 Hard*

*Topic: Responding to the Environment*

78. **Dan's FroYo is a company that sells different varieties of frozen yogurt. When Dan's FroYo spends its own money to promote the frozen yogurt industry as a whole, the company is practicing\_\_\_\_\_.**

- A. competitive aggression**
- B. competitive pacification**
- C. public relations**
- D. voluntary cooptation**
- E. comparative action**

**Competitive pacification is an independent action to improve relations with competitors, such as FroYo's promotion of the frozen yogurt industry as a whole.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Apply*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 3 Hard*

*Topic: Responding to the Environment*

79. **When a brand advertises its products as being superior to that of its competitors, it is demonstrating\_\_\_\_\_.**

- A. competitive aggression**
- B. competitive pacification**
- C. benchmarking**
- D. political action**
- E. cooptation**

**Competitive aggression is exploiting a distinctive competence or improving internal efficiency for competitive advantage. Aggressive pricing and comparative advertising are examples of competitive aggression.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Understand*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 2 Medium*

*Topic: Responding to the Environment*

80. **When two or more companies work together to manage their external environment, they are using\_\_\_\_\_.**

- A. monopolistic strategies**
- B. strategic maneuvering**
- C. cooperative strategies**
- D. dependent strategies**
- E. competitive strategies**

**In some situations, two or more organizations work together to influence the environment. This is referred to as cooperative strategy. These strategies include cooptation, coalition, and contraction.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 1 Easy*

*Topic: Responding to the Environment*

81. **Quartermaine University has just formed a board of trustees and invited 25 of its wealthiest alumni to join. In this example, Quartermaine University is demonstrating\_\_\_\_\_.**

- A. contraction**
- B. cooptation**
- C. coalition**
- D. political action**
- E. voluntary action**

**Cooptation is absorbing new elements into the organization's leadership structure to avert threats to its stability or existence. An example of cooptation might occur when universities invite wealthy alumni to join their boards of directors.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Understand*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 2 Medium*

*Topic: Responding to the Environment*

**82. Western Allied Health and Grant Pharmaceuticals are two pharmaceutical companies that have joined forces with one another to lobby against a controversial Medicare reform. This action is referred to as .**

- A. contraction**
- B. coalition**
- C. cooptation**
- D. domain selection**
- E. benchmarking**

**A coalition is two or more groups that coalesce and act jointly with respect to some set of issues for some period of time. An example of coalition formation might be when local businesses band together to curb the rise of employee health care costs and when organizations in the same industry form industry associations and special interest groups.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Apply*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 3 Hard*

*Topic: Responding to the Environment*

83. The process of sharing power with employees is called \_\_\_\_\_.

- A. empowerment
- B. downgrading
- C. benchmarking
- D. vertical synergy
- E. power building

**Empowerment is the process of sharing power with employees, thereby enhancing their confidence in their ability to perform their jobs and their belief that they are influential contributors to the organization.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 1 Easy*

*Topic: Responding to the Environment*

84. **Candace recently got promoted to a managerial role in a bureaucratic organization. The industry had been changing dramatically, and Candace suggested that the management team encourage employees to develop confidence by giving them some control and authority in order to create a more flexible, adaptable organization. Here, Candace is suggesting the use of \_\_\_\_\_ with employees.**

- A. smoothing**
- B. benchmarking**
- C. empowerment**
- D. cooptation**
- E. coalition**

**Empowerment is the process of sharing power with employees, thereby enhancing their confidence in their ability to perform their jobs and their belief that they are influential contributors to the organization.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Apply*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 3 Hard*

*Topic: Responding to the Environment*



85. **Creating supplies of excess resources in case of unpredictable needs is known as \_\_\_\_.**

- A. cooptation**
- B. smoothing**
- C. flexible processing**
- D. empowering**
- E. buffering**

**To help organizations compete, they can create buffers on both the input and output boundaries with the environment. Buffering creates supplies of excess resources to meet unpredictable needs.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 1 Easy*

*Topic: Responding to the Environment*

86. **Alyssa owns Carver Gifts, a handmade greeting cards store. She is projecting that the economy will rebound this fall. She ordered additional holiday gift merchandise in February in anticipation of possible surge in sales during the holiday season. In this case, which of the following methods is Alyssa using to be sure she has enough gifts for those extra holiday customers?**

- A. Just-in-time inventory management**
- B. Smoothing**
- C. Benchmarking**
- D. Buffering**
- E. Diversification**

**Buffering is creating supplies of excess resources in case of unpredictable needs. In Alyssa's case, she has accumulated additional inventory to sell during the holiday season because demand is unpredictable.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Apply*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 3 Hard*

*Topic: Responding to the Environment*

87. Leveling normal fluctuations at the boundaries of the environment is called\_\_\_\_\_.

- A. buffering
- B. smoothing
- C. flexible processing
- D. empowerment
- E. coalition

**Smoothing refers to the process of leveling normal fluctuations at the boundaries of the environment. For example, during winter months in the north, when automobile sales drop off, it is not uncommon for dealers to cut the price of their in-stock vehicles to increase demand.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 1 Easy*

*Topic: Responding to the Environment*

88. **Methods for adapting the technical core to changes in the environment are known as\_\_\_\_\_.**

- A. flexible processes**
- B. smoothing effects**
- C. buffering techniques**
- D. benchmarking tools**
- E. environmental scanners**

**Flexible processes are methods for adapting the technical core to changes in the environment. For example, firms increasingly try to customize their goods and services to meet the varied and changing demands of customers.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 1 Easy*

*Topic: Responding to the Environment*

89. **NBIC (National Bicycle Industrial Company) of Japan specializes in mass customization in order to cater to the changing demands of its customers. Customers can choose the frame and other parts of the bicycle and it is made according to their order. This is one example of how NBIC uses \_\_\_\_.**

- A. cooptation**
- B. flexible processes**
- C. smoothing techniques**
- D. benchmarking**
- E. diversification**

**Flexible processes are methods for adapting the technical core to changes in the environment. For example, firms increasingly try to customize their goods and services to meet the varied and changing demands of customers.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Apply*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 3 Hard*

*Topic: Responding to the Environment*

90. **The set of important assumptions about an organization and its goals and practices that members of the company share is called organization\_\_\_\_\_.**

- A. culture**
- B. design**
- C. climate**
- D. layout**
- E. structure**

**Organization culture is the set of important assumptions about an organization and its goals and practices that members of the company share. It is a system of shared values about what is important and beliefs about how the world works.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Learning Objective: 02-06 Define elements of an organization's culture.*

*Level of Difficulty: 1 Easy*

*Topic: The Internal Environment of Organizations: Culture and Climate*

91. **Purple Technology is a communication and information technology corporation. The company makes it a point to stress to its employees that innovation is its core strength. The employees even get an hour a day to brainstorm and come up with out-of-the-box ideas. This highlights the \_\_\_\_ of the company.**

- A. cooperative strategies**
- B. external environment**
- C. organization culture**
- D. competitive pacification**
- E. domain selection**

**The organization culture is the set of important assumptions about the organization and its goals and the practices that members of the company share. It is a system of shared values about what is important and beliefs about how the world works. In this way, a company's culture provides a framework that organizes and directs people's behavior on the job.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Understand*

*Learning Objective: 02-06 Define elements of an organization's culture.*

*Level of Difficulty: 2 Medium*

*Topic: The Internal Environment of Organizations: Culture and Climate*

92. **Which of the following can be a useful clue about an organization's culture?**

- A. The way employees interact with each other**
- B. Information printed in the media about stock prices**
- C. The macroenvironment**
- D. The personality characteristics of employees**
- E. The industrial environment**

**The culture of an organization may be difficult for an observer to define easily, yet it can often be sensed almost immediately. The ways people dress and behave or the ways they interact with each other and with customers are clues to an organization culture.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Understand*

*Learning Objective: 02-06 Define elements of an organization's culture.*

*Level of Difficulty: 2 Medium*

*Topic: The Internal Environment of Organizations: Culture and Climate*



93. **Which of the following statements about organizational culture is true?**

- A. Corporate mission statements are always a true expression of a firm's culture.**
- B. Who is hired and fired and why indicate the firm's real value and are a clue to the culture.**
- C. A firm with a strong culture will have different people holding different values.**
- D. A culture that was advantageous in a prior era continues to be so in a new environment.**
- E. It is unnecessary to consider culture when considering a merger.**

**For diagnosing a culture, status symbols can give an individual a feel for how rigid the hierarchy is and for the nature of relationships between lower and higher levels. Who is hired and fired—and why—and the activities that are rewarded indicate the firm's real values.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Understand*

*Learning Objective: 02-07 Discuss how an organization's culture and climate affect its response to its external environment.*

*Level of Difficulty: 2 Medium*

*Topic: The Internal Environment of Organizations: Culture and Climate*

94. **According to the competing values model, if an organization's culture is internally oriented and flexible and tends to be based on the values and norms associated with affiliation, it could be best described as a(n) \_\_\_\_.**

- A. group culture**
- B. hierarchical culture**
- C. rational culture**
- D. adhocracy**
- E. closed system**

**A group culture is internally oriented and flexible, and it is based on values and norms associated with affiliation. Compliance flows from trust, tradition, and long-term commitment.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Learning Objective: 02-07 Discuss how an organization's culture and climate affect its response to its external environment.*

*Level of Difficulty: 1 Easy*

*Topic: The Internal Environment of Organizations: Culture and Climate*

95. **According to the competing values model, if an organization's culture is externally oriented and focused on control with its primary objectives as productivity, planning, and efficiency, it could be best described as a(n) \_\_\_\_\_ culture.**

- A. group**
- B. hierarchical**
- C. rational**
- D. adhocracy**
- E. values-oriented**

**The rational culture is externally oriented and focused on control. Its primary objectives are productivity, planning, and efficiency, with members being motivated by rewards.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Remember*

*Learning Objective: 02-07 Discuss how an organization's culture and climate affect its response to its external environment.*

*Level of Difficulty: 1 Easy*

*Topic: The Internal Environment of Organizations: Culture and Climate*

96. **The attitude and behavior patterns that shape people's experience of an organization is called an organizational\_\_\_\_\_.**

- A. culture**
- B. climate**
- C. environment**
- D. strategy**
- E. adhocracy**

**Organizational climate consists of the patterns of attitudes and behavior that shape people's experience of an organization. In contrast to a culture's deeply held beliefs, values, and so on, an organization's climate can be measured more readily.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Understand*

*Learning Objective: 02-07 Discuss how an organization's culture and climate affect its response to its external environment.*

*Level of Difficulty: 2 Medium*

*Topic: The Internal Environment of Organizations: Culture and Climate*

**Scenario A. Connie's Collectibles is a small retail store that specializes in antique jewelry. In analyzing the environment, Connie has uncovered the following interesting findings:**

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

97. **In Scenario A, which of the following elements of the macroenvironment was part of Connie's findings?**

- A. Sustainability**
- B. Psychology**
- C. Corporate governance**
- D. Sociology**
- E. Technology**

**The macroenvironment includes legal and political, economic, technological, demographic, social, and natural factors that generally affect all organizations. The only one of these categories mentioned in the question is technology, illustrated by selling on the Internet.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Apply*

*Learning Objective: 02-01 Describe how environmental forces influence organizations and how organizations can influence their environments.*

*Level of Difficulty: 3 Hard*

*Topic: Introduction*

98. **When Connie read the survey of regional businesses, she was investigating\_\_\_\_\_.**

**A. the competitive environment**

**B. the macroenvironment**

**C. a closed environment**

**D. the internal environment**

**E. the social environment**

**The competitive environment is composed of current competitors, suppliers, customers (buyers), new entrants, and substitute or complementary products.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Apply*

*Learning Objective: 02-01 Describe how environmental forces influence organizations and how organizations can influence their environments.*

*Level of Difficulty: 3 Hard*

*Topic: Introduction*

**99. Findings about changing customer preferences and others who sell antique jewelry are associated with the:**

- A. competitive environment as described by Porter.**
- B. macroenvironmental economic trends.**
- C. macroenvironmental political trends.**
- D. amount of rivalry in Connie's internal environment.**
- E. barriers to entry in Connie's competitive environment.**

**The competitive environment as described by Porter includes both suppliers (those selling the jewelry) and customers (those buying the jewelry). The competitive environment also includes new entrants, substitutes and complements, as well as rival firms.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Apply*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 3 Hard*

*Topic: The Competitive Environment*



100. **Which of the following elements of the macroenvironment is most closely associated with the findings about the historical preservation district?**

- A. Laws and regulations**
- B. The economy**
- C. Demographics**
- D. Technology**
- E. The natural environment**

**The macroenvironment is the general environment, including governments, economic conditions, and other fundamental factors that generally affects all organizations. Laws and regulations are part of the macroenvironment and affect Connie by dictating how she can renovate her shop based on the prevailing rules of the historical preservation district her shop is in.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Apply*

*Learning Objective: 02-02 Distinguish between the macroenvironment and the competitive environment.*

*Level of Difficulty: 3 Hard*

*Topic: The Macroenvironment*

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

101. **Which of the following factors would have Jack considered while analyzing the competitive environment?**

- A. Technology**
- B. Substitutes**
- C. Legal factors**
- D. Economic factors**
- E. Demographics**

**The competitive environment as described by Michael Porter includes suppliers, customers, new entrants, substitutes and complements, as well as rival firms.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Understand*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 2 Medium*

*Topic: The Competitive Environment*

102. **The information that Jack has collected in his competitive analysis can be referred to as \_\_\_\_\_.**

- A. corporate espionage**
- B. competitive intelligence**
- C. domain selection**
- D. strategic vision**
- E. mission statement**

**Competitive intelligence is the information necessary to decide how best to manage in the competitive environment managers have identified.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Understand*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 2 Medium*

*Topic: Environmental Analysis*

**103. From Scenario B, based on Jack's analysis of the competitive environment, it can be inferred that:**

- A. the customers will face switching costs.**
- B. there are no competitors.**
- C. there are many substitutes.**
- D. there are no barriers to entry.**
- E. the threat of new entrants is high.**

**The competitive environment includes rivalry among current competitors and the impact of new entrants, substitute and complementary products, suppliers, and customers. Based on Jack's analysis of the competitive environment, it can be inferred that there are many substitutes.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Apply*

*Learning Objective: 02-04 Identify elements of the competitive environment*

*Level of Difficulty: 3 Hard*

*Topic: The Competitive Environment*

104. **Which of the following factors is indicated by the fact that it will require a large capital investment to start a new casino?**

- A. High bargaining power of customers**
- B. Low threat of new entrants**
- C. High threat of new entrants**
- D. Many substitute products**
- E. Low bargaining power of customers**

**New entrants into an industry compete with established companies. The high cost of entering the casino industry forms a barrier to entry that diminishes the threat of new entrants.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Understand*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 2 Medium*

*Topic: The Competitive Environment*

**Scenario C. Smash Marketing is a consulting firm located in the Midwest. Mr. William "Bill" Smash started the firm as a young man in the early 1950s. The firm has grown, but with growth, it has never forgotten the vision of Mr. Smash: to be creative in all that the firm does while delighting the client. Each year the Smash Award for Advertising Creativity is given to the employee who most exemplifies Mr. Smash's vision. New employees are told of the organization's greatest accomplishments and are taken on a tour of the "Wall of Memories," where pictures of the company taken over the years are hung. One is even included to remind everyone of the disastrous fire that the company not only survived but also built upon to strengthen the sense of teamwork, which is clearly evident throughout the firm. Managers at the firm tend to be more like mentors and facilitators. In fact, there is a long tradition of employee participation in decision making, and all employees consider themselves to be part of the "Smash Family."**

105. **The stories about Bill Smash and his vision influencing the employees of the organization are all clues to understanding the\_\_\_\_\_.**

- A. organization culture**
- B. company's macroenvironment**
- C. organization's competitive environment**
- D. collective competitive intelligence**
- E. organizational structure**

**Organization culture refers to the set of important assumptions about the organization and its goals and practices that members of the company share. The scenario explains the organization culture of the company.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Apply*

*Learning Objective: 02-06 Define elements of an organization's culture.*

*Level of Difficulty: 3 Hard*

*Topic: The Internal Environment of Organizations: Culture and Climate*

106. **The culture at Smash Marketing can be best described as a \_\_\_\_\_ culture.**

- A. group**
- B. hierarchical**
- C. rational**
- D. bureaucratic**
- E. rigid**

**A group culture is internally oriented and flexible. It tends to be based on the values and norms associated with affiliation. It has a dominant attribute of participation, teamwork, and a sense of family, all of which are mentioned in the scenario.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Apply*

*Learning Objective: 02-07 Discuss how an organization's culture and climate affect its response to its external environment.*

*Level of Difficulty: 3 Hard*

*Topic: The Internal Environment of Organizations: Culture and Climate*

107. **Based on the information in Scenario C, which of the following is likely to be the dominant attribute of Smash Marketing?**

- A. Rules and regulations**
- B. Cohesiveness**
- C. Competitiveness**
- D. Risk taking**
- E. Entrepreneurship**

**In a group culture, like the one at Smash Marketing, there are loyalty, tradition, and interpersonal cohesion. A group culture is internally oriented and flexible. It tends to be based on the values and norms associated with affiliation. An organizational member's compliance with organizational directives flows from trust, tradition, and long-term commitment.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Apply*

*Learning Objective: 02-07 Discuss how an organization's culture and climate affect its response to its external environment.*

*Level of Difficulty: 3 Hard*

*Topic: The Internal Environment of Organizations: Culture and Climate*

**Scenario D. Margarita works for a small company that deals with processed and canned tomatoes and other vegetables. She reports to the CFO. It is her job to predict the costs of raw materials for the next five years. She uses various research sources, including the news, to learn who the competitors are and what they have been doing. In fact, she subscribes to an analyst e-newsletter that tells her about crop availability and weather conditions all around the globe. Every month she develops a spreadsheet for her boss indicating the likely costs of vegetables given the type of weather conditions expected in each area of the world and thus the availability of particular crops. She is also involved in a team that is investigating how to cut canning costs. They have recently met with Good Cans, a company that manufactures and cans tennis balls. Good Cans is considered the top company in the canning industry, especially in canning process knowledge. Margarita's team is comparing their processes to those of Good Cans to see how they might improve.**

108. **When predicting the costs for her company, Margarita is engaging in \_\_\_\_.**

- A. forecasting**
- B. competitive intelligence**
- C. environmental scanning**
- D. benchmarking**
- E. scenario development**

**Forecasting is a method for predicting how variables will change the future. In this scenario, Margarita is trying to determine costs in the future.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Apply*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 3 Hard*

*Topic: Environmental Analysis*



109. **The information Margarita is using to compete in a better way is called\_\_\_\_\_.**

- A. mission statement**
- B. competitive intelligence**
- C. best-case scenario**
- D. organizational database**
- E. knowledge document**

**Competitive intelligence is information that helps managers determine how to compete better. In this scenario, Margarita is collecting information about crops so she can find the best value for the company.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Understand*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 2 Medium*

*Topic: Environmental Analysis*

110. **The spreadsheet that Margarita uses gives her a chance to examine different projections, which is a form of\_\_\_\_\_.**

**A. divestiture**

**B. strategic maneuvering**

**C. domain selection**

**D. benchmarking**

**E. scenario development**

**Scenario development creates alternative combinations of different factors (such as the weather and harvest of various crops) into a total picture of the environment and the firm. It is a narrative that describes a particular set of future conditions.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Apply*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty*

*Level of Difficulty: 3 Hard*

*Topic: Environmental Analysis*

111. **Which of the following is Margarita and her team using when they learn from Good Cans about its canning process?**

- A. Forecasting**
- B. Strategic maneuvering**
- C. Domain selection**
- D. Benchmarking**
- E. Scenario development**

**Benchmarking means identifying the best-in-class performance by a company (Good Cans) in a given area (canning) and then comparing one's processes to theirs. Margarita is comparing her company's process of canning to that of Good Cans.**

*AACSB: Analytic*

*Accessibility: Keyboard Navigation*

*Blooms: Apply*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 3 Hard*

*Topic: Environmental Analysis*

## **Essay Questions**

112. **List the elements of a firm's macroenvironment and illustrate how each affects the firm.**

**Answers will vary.**

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.*

*Level of Difficulty: 2 Medium*

*Topic: The Macroenvironment*

**113. Explain how a company can work societal trends to its advantage.**

**Answers will vary.**

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.*

*Level of Difficulty: 3 Hard*

*Topic: The Macroenvironment*

**114. Explain how technology can help an organization.**

**Answers will vary.**

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.*

*Level of Difficulty: 2 Medium*

*Topic: The Macroenvironment*

**115. Discuss how immigration patterns influence the management of the U.S. labor force.**

**Answers will vary.**

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments.*

*Level of Difficulty: 2 Medium*

*Topic: The Macroenvironment*

**116. Explain how sustainability and natural environment affect the management of an organization.**

**Answers will vary.**

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-03 Explain why managers and organizations should attend to economic and social developments*

*Level of Difficulty: 3 Hard*

*Topic: The Macroenvironment*

**117. Describe the five forces in Michael Porter's model of the competitive environment.**

**Answers will vary.**

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 2 Medium*

*Topic: The Competitive Environment*

**118. List actions and attitudes that result in excellent customer service.**

**Answers will vary.**

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-04 Identify elements of the competitive environment.*

*Level of Difficulty: 3 Hard*

*Topic: The Competitive Environment*

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

**Answers will vary.**

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 2 Medium*

*Topic: Environmental Analysis*

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

**Answers will vary.**

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 3 Hard*

*Topic: Environmental Analysis*

- 121. Briefly describe the three categories of options managers and companies have when responding to their environment.**

**Answers will vary.**

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 2 Medium*

*Topic: Responding to the Environment*

- 122. Summarize the different approaches of strategic maneuvering that organizations can take to change the environment they are in.**

**Answers will vary.**

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 2 Medium*

*Topic: Responding to the Environment*

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

**Answers will vary.**

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 2 Medium*

*Topic: Responding to the Environment*

124. **Contrast bureaucratic and organic organizations.**

**Answers will vary.**

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-05 Summarize how organizations respond to environmental uncertainty.*

*Level of Difficulty: 2 Medium*

*Topic: Responding to the Environment*

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

**Answers will vary.**

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-07 Discuss how an organization's culture and climate affect its response to its external environment.*



*Level of Difficulty: 2 Medium*

*Topic: The Internal Environment of Organizations: Culture and Climate*

- 126. Describe the culture of an organization that you have either worked in or studied about. Which of the four types of organizational culture described in the chapter does the organization illustrate? Justify your answer.**

**Answers will vary.**

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-07 Discuss how an organization's culture and climate affect its response to its external environment.*

*Level of Difficulty: 3 Hard*

*Topic: The Internal Environment of Organizations: Culture and Climate*