

Questions Chapter 1
The Nature of Strategic Management

True/False Questions

Question title	Question stem	Choice	Reference
TF01.01	The implementation of Medicare's prospective payment system in 1983 initiated dramatic changes in the health care industry.	T	Strategic Management in the Health Care Industry
TF01.02	Management rather than leadership is required to deal with rapid, complex, and discontinuous change.	F	Central to Leadership
TF01.03	The objective of long-range planning is to predict for some specified time in the future the size of demand for an organization's products and services and to determine where demand will occur.	T	Long-Range Planning to Strategic Planning
TF01.04	Strategies are long range in nature and thus, the time span is the principal focus of strategic planning.	F	Long-Range Planning to Strategic Planning
TF01.05	Many of the management methods adopted by health care organizations originated in the business sector.	T	Strategic Management in the Health Care Industry
TF01.06	Major goals of strategic management are responsiveness to change and staying relevant.	T	Managing in a Dynamic Industry
TF01.07	In order to effectively deal with a complex situation, the leader must redouble efforts to become involved with every detail of the situation.	F	Central to Leadership
TF01.08	Strategic thinking is an individual intellectual process, a mindset, or method of intellectual analysis that asks people to position themselves as leaders and see the "big picture."	T	Strategic Thinking
TF01.09	Strategic thinkers examine assumptions, understand systems and their interrelationships, and develop alternative scenarios of the future.	T	Combining the Analytical and Emergent Views
TF01.10	Strategic planning is the periodic process of developing a set of steps for an organization to accomplish its mission and vision using strategic thinking.	T	Combining the Analytical and Emergent Views

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TF01.11	As a decision-making activity, strategic planning is based solely on quantitative data.	F	Strategic Planning
TF01.12	Many of the modern strategic management concepts originated in the military setting, were extended to business, and eventually to health care.	T	Foundations of Strategic Management
TF01.13	Strategy is driven by a common mission, vision, and set of organizational values and goals – the directional strategies.	T	Strategic Planning
TF01.14	Developing implementation plans is not an essential part of strategic planning.	F	Strategic Planning
TF01.15	Decision making is expedited and consensus more easily reached when everyone in the organization is involved in the strategic planning process.	F	Strategic Planning
TF01.16	Strategic momentum concerns the day-to-day activities of managing the strategy to achieve the strategic goals of the organization.	T	Strategic Momentum
TF01.17	Strategic momentum is how an organization constructively manages change, evaluates strategy, and reinvents or renews the organization.	T	Strategic Momentum
TF01.18	Much of the legitimate work in an organization does not contribute to the accomplishment of the strategic plan.	F	Strategic Momentum
TF01.19	Strategic management is a unique perspective that requires everyone in the organization to cease thinking solely in terms of internal operations and their own operational responsibilities. It insists that everyone adopt what may be a fundamentally new attitude – an external orientation and a concern for the big picture.	T	The Benefits of Strategic Management
TF01.20	Strategic management is a technique that will provide a “quick fix” for an organization that has fundamental problems.	F	What Strategic Management is Not
TF01.21	Strategic management is demonstrated in an organization if it has evolved into a process of filling in endless forms, meeting deadlines, drawing milestone charts, or changing the dates of last year’s goals and plans.	F	What Strategic Management is Not

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TF01.22	The use of the systems perspective requires strategic managers to define the organization in broad terms and to identify the important variables and interrelationships that will affect decisions.	T	A Systems Perspective
TF01.23	Unit operational strategies may be developed within departments of an organization such as clinical operations, marketing, finance, information systems, human resources, and so on.	T	Unit-Level Strategy
TF01.24	Corporate-level strategies address the question: "What business(es) should we be in?" Such strategies consider multiple, sometimes unrelated, markets and typically are based on return on investment, market share or potential market share, and system integration.	T	Corporate-Level Strategy
TF01.25	Strategy development has never been primarily a staff activity.	F	Leadership Roles throughout the Organization
TF01.26	Strategic management allows the decision maker to confidently maintain their customary way of thinking and apply it to organizational problems.	F	The Dimensions of Strategic Management
TF01.27	The compass is a metaphor for the application of rational linear thinking to new and unique organizational problems.	F	The Dimensions of Strategic Management
TF01.28	Complex adaptive systems are parts of organizations that evolve in response to change.	T	A Systems Perspective
TF01.29	Corporate level strategies relate to individual units and divisions in an organization.	F	The Level and Orientation of the Strategy
TF01.30	Emergent approaches to strategy rely on leadership and learning with regard to external changes.	T	Learning as the Strategy Unfolds
TF01.31	Health policies are made by the leadership team in health care organizations and are designed to aid in adapting to external regulations.	F	Strategic Management Versus Health Policy
TF01.32	Situational analysis is a process of understanding and documenting an organization's external analysis, internal analysis, and the development or refinement of directional strategies.	T	Strategic Planning
TF01.33	Decision making maps are formulated through rational step-by-step thinking.	F	The Dimensions of Strategic Management

Question title	Question stem	Choice	Reference
TF01.34	A strategic business unit is an autonomous unit-level entity within the larger organization.	F	Division-Level Strategy
TF01.35	One of the most important technological changes facing health care in recent years has been the adoption of the electronic health record.	T	The Nature of Health Care Change
TF01.36	Strategic thinking is directed toward positioning the organization most effectively within its changing external environment.	T	Strategic Thinking
TF01.37	Increasing automation of basic business processes, clinical information interfaces, data analysis, and telehealth are NOT examples of technological changes.	F	Legislative/Political Changes
TF01.38	Cost pressures and intensified competition will NOT lead to further consolidation within the health care industry.	F	The Nature of Health Care Change
TF01.39	An integral part of long-range planning in health care is a systematic analysis of the assumptions underlying the planning process.	F	Long-Range Planning to Strategic Planning
TF01.40	Health planning is initiated by state or local governments and results in health policies that are implemented through legislation.	T	Strategic Management Versus Health Policy

Multiple Choice Questions

Question title	Question stem	Selections	Choice	Reference
MC01.01	Strategic thinking is:	<ul style="list-style-type: none"> a- An organizational-level activity. b- An individual intellectual process. c- An element of long-range planning. d- Not needed to capitalize on change. 	b	Strategic Thinking
MC01.02	The result of the strategic planning process is:	<ul style="list-style-type: none"> a- More luck than the result of a thoughtful process. b- Strategic thinking. c- A formal document of at least 10 pages. d- A plan or strategy. 	d	Combining the Analytical and Emergent Views
MC01.03	Health policy:	<ul style="list-style-type: none"> a- Is a very broad strategy. b- Is the result of strategic thinking, strategic planning, and strategic management. c- Determines the rules of the game that apply to all consumers and providers in the field. d- Does not involve governmental activity. 	c	Strategic Management versus Health Policy
MC01.04	Strategic planning for organizations is typically:	<ul style="list-style-type: none"> a- The sole province of the chief executive officer (CEO). b- The work of the strategic planning department. c- Something that requires consultants to be successful. d- A group process. 	d	Leadership Roles throughout the Organization
MC01.05	The three stages of strategic management are:	<ul style="list-style-type: none"> a- Plan, implement, and revise the plan. b- Leadership, professionalism, and management. c- Strategic thinking, strategic planning, and strategic momentum. d- Thinking, planning, and doing. 	c	The Level and Orientation of the Strategy
MC01.06	Strategic management is NOT:	<ul style="list-style-type: none"> a- A "quick fix" for organizations with fundamental problems. b- A process of completing paperwork. c- A process of extending the organization's current activities into the future. d- All of the above. 	d	What Strategic Management Is Not

Question title	Question stem	Selections	Choice	Reference
MC01.07	Which of the following is not a state of strategic thinking:	<ul style="list-style-type: none"> a- Synthesis b- Interpretation c- Reflection d- None of the above 	d	Strategic Thinking
MC01.08	Health care organizations DO NOT have to cope with change in which of the following areas:	<ul style="list-style-type: none"> a- Competitive. b- Weather. c- Technological. d- Regulatory/Political. 	b	The Nature of Health Care Change
MC01.09.	Which of the following is an example of a societal change that may affect the success or failure of health care organizations?	<ul style="list-style-type: none"> a- Changes in consumer attitudes and expectations. b- Health care reform. c- Increasing use of electronic medical records. d- Patent expirations on brand name drugs. 	a	The Nature of Health Care Change
MC01.10	Which of the following is not an important health policy question?	<ul style="list-style-type: none"> a- Is health care a right or individual responsibility? b- Who pays for employer offered health insurance? c- Can the human costs of poor health be quantified? d- None of the above. 	d	What Is Health Policy

Question title	Question stem	Selections	Choice	Reference
MC01.11	The use of the systems perspective requires strategic managers to:	<ul style="list-style-type: none"> a- Focus on short-term results. b- Define the organization in broad terms and identify the important variables and interrelationships that will affect decisions. c- Become leaders. d- View the organization as a set of mutually exclusive sets of work units with separate goals and objectives. 	b	A Systems Perspective
MC01.12	A clear specification of organizational level and orientation determines:	<ul style="list-style-type: none"> a- The type and range of decision to be made in strategic planning. b- The quality of strategic thinking. c- Organizational success. d- The individual or organizational unit that is responsible for developing organizational strategy. 	a	The Level and Orientation of the Strategy
MC01.13	The dissolution of formal planning staffs is associated with:	<ul style="list-style-type: none"> a- The management theory termed "Theory Z." b- Systems thinking. c- The general decline in economic activity in the USA and Europe. d- Organizational learning that strategy development cannot take place in relative isolation. 	d	Leadership Roles throughout the Organization
MC01.14	An organization may create a new, unintended strategy by:	<ul style="list-style-type: none"> a- Applying effective leadership. b- Rethinking the relationships among systems in the organization. c- Implementing the strategy created by its strategic planning process. d- Applying portfolio theory. 	c	Lessons for Health Care Strategic Thinkers
MC01.15	A realized strategy is on that:	<ul style="list-style-type: none"> a- Emerges after an unsuccessful implementation of a planned action. b- Is realized by the decision maker after considering multiple alternatives. c- Works out as planned. d- None of the above. 	c	Learning as the Strategy Unfolds

Question title	Question stem	Selections	Choice	Reference
MC01.16	Which of the following is not an aspect of strategic control:	<ul style="list-style-type: none"> a- Regulates the implementation of the strategic plan. b- Measures performance against the plan. c- Establishes clear and concise goals. d- Incorporates thinking and learning as the strategy unfolds. 	c	Combining the Analytical and Emergent Views
MC01.17	A system possesses all but which of the following:	<ul style="list-style-type: none"> a- Parts hang together. b- Elements pursuing a common goal. c- Action in one part of a system affects all other parts d- Elements that are self-contained and not affected by forces outside the system. 	d	Systems Perspective
MC01.18	Thinking that focuses on introducing new, better, or different breakthroughs is:	<ul style="list-style-type: none"> a- Critical thinking. b- Innovative thinking. c- Visionary thinking. d- Divergent thinking. 	b	Central to Leadership
MC01.19	Transformative Thinking:	<ul style="list-style-type: none"> a- Challenges accepted beliefs and assumption. b- Is rational, logical and based on facts. c- Looks for unique imaginative solutions to issues. d- None of the above. 	a	Central to Leadership
MC01.20	Strategic thinkers which of the following:	<ul style="list-style-type: none"> a- What are we doing that we should do differently? b- What are we not doing that we should be doing? c- What are we doing that we should stop doing? d- All the above. 	d	Central to Leadership

Short Essay Questions

Question title	Question stem	Rationale	Reference
SE01.01	Describe strategic management in the health care industry.	<p>Strategic management concepts have been employed within health care organizations since the adoption of prospective payment in 1983. Prior to that time, individual health care organizations had few incentives to employ strategic management because typically they were independent, freestanding, not-for-profit institutions, and health services reimbursement was on a cost-plus basis. In many respects health care has become a complex business using many of the same processes and much of the same language as the most sophisticated business corporations.</p> <p>Certainly, in the late 1980s and 1990s many health care organizations had much to learn from strategically managed businesses. As a result, many of the management methods adopted by health care organizations, both public and private, initially were developed in the business sector.</p>	Strategic Management in the Health Care Industry
SE01.02	Define the major activities of strategic management.	<p>The major activities of strategic management are: (1) strategic thinking, (2) strategic planning, and (3) strategic momentum. Strategic thinking is an individual intellectual process, a mindset, or method of intellectual analysis that asks people to position themselves as leaders and see the “big picture.” Strategic planning is the periodic process of developing a set of steps for an organization to accomplish its mission and vision using strategic thinking. Strategic momentum is the actual work to accomplish specific objectives.</p>	The Dimensions of Strategic Management
SE01.03	Why is managing strategic momentum important?	<p>Strategic momentum: is the actual work to accomplish specific objectives, concerns decision-making processes and their consequences, provides the style and culture, evaluates strategy performance, is a learning process, and relies on and initiates new strategic thinking and new periodic strategic planning.</p>	Strategic Momentum

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SE01.04	Explain the role of leadership in strategy development.	Strategic decision making for health care organizations is the responsibility of top management. The CEO is a strategic manager with the pre-eminent responsibility for positioning the organization for the future. The leader must be able to inspire, organize, and implement effective pursuit of a vision and maintain it even when sacrifices are required. As a result, the leader must have an ability to identify what needs to be done today and what can wait. They prioritize constantly; aware that wars are lost by fighting on too many fronts. They know the key messages to communicate from day to day, from audience to audience. If the CEO does not fully understand or faithfully support strategic management, it will not happen.	The Importance of Leadership
SE01.05	List the components of an effective situation analysis.	A successful situation analysis requires an external analysis to determine what we should be doing, an internal analysis to determine what we can do and the formulation of directional strategies (mission, vision and values) to specify what we want to do.	Combining the Analytical and Emergent Views
SE01.06	What is an unrealized strategy?	An unrealized strategy is a course of action or strategic plan that does not work out as planned.	Learning as the Strategy Unfolds
SE01.07	Why is strategic management important to an organization?	Health care organizations are part of one of the most rapidly changing industries. Strategic management is about change and how to deal with it. In this sense, strategic management is leadership which involves responding to change, setting direction, and focusing the organization's momentum. Health care leaders embrace strategic management because it helps them cope with change.	Why the Nature of Strategic Management Is Important
SE01.08	What are some of the important economic changes facing health care managers?	Health care managers are dealing with a number of economic changes. A few of the more important include the continued growth of the industries and the increases in total spending. Challenges are also presented as more employers are unwilling to contribute to the coverage of increasing health care costs.	Nature of Health Care Change

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SE01.09	Why is it important that everyone on an organization think strategically?	Most people think of strategic thinking as the job of the chief executive officer and her/his immediate staff. However, since strategic thinking has much to do with external changes the CEO and the executive staff are often the last to know about important economic, demographic, technological, and related changes. The people most likely to detect changes are those closest to the work – the doctors, nurses, receptionists, and so on. All individuals should be encouraged to and rewarded for strategic thinking.	Everyone A Strategic Thinker
SE01.10.	What do we really mean by strategic momentum?	Strategic momentum guides the actual work toward goals accomplishment, concerns decision making and its consequences, shapes the culture, evaluates strategy performance, controls strategy implementation, relies on and initiates new strategic thinking, and is a learning process.	Strategic Momentum