Chapter 9 Planning Tools and Techniques

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TRUE/FALSE QUESTIONS

A MANAGER’S DILEMMA

1. According to the opening vignette of Chapter 9, management at Henan Electric Power Transmission and Transformation Construction Company (HETT) attributes their profitability to its departments effectively using the Internet to achieve their goals.
   (True; moderate; p. 205)

TECHNIQUES FOR ASSESSING THE ENVIRONMENT

2. Environmental scanning is used by organizations to anticipate the changes in their internal environment.
   (False; easy; p. 206)

3. Buying a competitor’s product for evaluation is a form of environmental scanning.
   (True; easy; P. 207)

4. Competitor intelligence experts suggest that 80 percent of what managers need to know about competitors can be found out from their own employees, suppliers, and customers.
   (True; moderate; P. 207)

5. Competitor’s advertisements, want-ad placements, and corporate Web sites can all serve as good source of competitive intelligence.
   (True; moderate; P. 207)

6. Competitor intelligence becomes illegal corporate spying when it involves the theft of proprietary or non-proprietary materials or trade secrets.
   (False; easy; p. 207)
7. Competitor intelligence chiefly involves corporate spying.  
   (False; easy; p. 208)

8. According to the textbook, environmental scanning creates the foundation for forecasts.  
   (True; moderate; p. 209)

9. Qualitative forecasting uses the judgment and opinions of knowledgeable individuals.  
   (True; moderate; p. 209)

10. Time series analysis, substitution effect, and economic indicators are all examples of quantitative 
    forecasting techniques.  
    (True; moderate; p. 209)

11. Forecasting is critical and most effective under rapidly changing environmental conditions.  
    (False; difficult; p. 210)

12. A manager who wanted to predict next quarter’s sales on the basis of 4 years of previous sales data would 
    probably use time series analysis.  
    (True; moderate; p. 209)

13. Benchmarking is a form of environmental scanning.  
    (True; easy; p. 210)

14. Shorter forecasts tend to be more accurate than longer forecasts.  
    (True; easy; p. 210)

15. Benchmarking involves evaluating company effectiveness against its own standards.  
    (False; moderate; p. 210)

16. To be most useful, benchmarking should involve companies in the same industry.  
    (False; moderate; p. 210)
TECHNIQUES FOR ALLOCATING RESOURCES

17. It is not unusual for budgets to be used for improving time, space, and use of material resources, substituting nondollar numbers for dollar numbers.
   (True; easy; p. 212)

18. Profit budgets combine revenue and expense budgets into one.
   (True; moderate; p. 212)

19. The Gantt chart is a bar graph, with time on the vertical axis and the activities to be scheduled on the horizontal axis.
   (False; difficult; p. 213)

20. Events, activities, and critical paths are all parts of PERT network analysis.
   (True; easy; p. 214)

21. Fixed costs are expenses that do not change, regardless of volume.
   (True; easy; p. 216)

22. Resource allocation problems can be solved with breakeven analysis.
   (False; difficult; p. 217)

23. To compute a breakeven point, a manager needs to know the unit price of the product being sold, the fixed cost per unit, and the total variable cost.
   (False; moderate; p. 217)

CONTEMPORARY PLANNING TECHNIQUES

24. The task of getting a project’s activities done on time, within budget, and according to specifications is called project management.
   (True; easy; p. 219)
25. Project management is a management technique that emphasizes flexibility and rapid response to market opportunities.
   (True; easy; p. 219)

26. One of the challenges of being a project manager is managing their full time employees.
   (True; easy; p. 220)

27. Scenario planning is useful in forecasting random events, such as terrorist attacks and natural disasters.
   (False; moderate; p. 221)

28. Project management differs from managing a production line based mainly on the temporary nature of most projects and project teams.
   (True; moderate; p. 220)

MULTIPLE-CHOICE QUESTIONS
For each of the following choose the answer that most completely answers the question.

ENVIRONMENTAL SCANNING

29. Environmental scanning is the screening of large amounts of information to anticipate and ____________.
   a. follow new legislation that is being passed by Congress
   b. interpret changes in the environment
   c. correct failure in pollution equipment
   d. forecast climatic changes that will affect materials used
   (b; moderate; p. 206)

30. Competitor intelligence experts suggest that 80 percent of what a manager need to know about competitors can be found out from ____________.
   a. companies such as Dun & Bradstreet
   b. their competitors’ employees, suppliers, and customers
   c. their competitors’ products, suppliers, and customers
   d. their own employees, suppliers, and customers
31. When seeking competitor intelligence, there is often a fine line between what’s considered legal and ethical and what’s considered ____________.
   a. illegal and ethical
   b. illegal and unethical
   c. legal and unethical
   d. practical and legal

32. Many firms regularly buy competitors’ products and have their own engineers study them to learn about new technical innovations. This process is called ____________.
   a. competitor engineering
   b. competition engineering
   c. strategic engineering
   d. reverse engineering

33. The value of global scanning is largely dependent on the ____________.
   a. extent of foreign competition activities in the market
   b. price that foreign competition charges in the market
   c. extent of government regulation activities in the foreign market
   d. extent of the organization’s global activities

34. What are three tools that managers can use to analyze their organization’s environment?
   a. strategic planning, environmental scanning, and TQM
   b. forecasting, budgeting, and time management
   c. environmental scanning, forecasting, and benchmarking
   d. benchmarking, planning, and evaluating

35. According to your textbook, one of the fastest-growing areas of environmental scanning is ____________.
   a. regression analysis
b. competitor intelligence  
c. reengineering  
d. forecasting  
(b; moderate; p. 207)

36. Competitor intelligence allows managers to do which of the following?  
  a. react to competitor actions  
  b. cut cost below the competition  
  c. increase market diversification  
  d. anticipate competitor actions  
  (d; moderate; p. 207)

37. Which of the following is an accurate statement concerning the process of competitor intelligence gathering?  
  a. it is legal but unethical  
  b. it is time consuming and costly to gather  
  c. Eighty percent of what managers need to know about competitors can be found from their own employees, suppliers, and customers.  
  d. it typically involves organizational spying  
  (c; moderate; p. 207)

38. When a firm’s engineers break down a competitor’s product to learn about new technical innovations, they are engaging in ____________.  
  a. reverse engineering  
  b. espionage  
  c. reengineering  
  d. illegal activities  
  (a; easy; p. 208)

39. Environmental scanning creates the foundation for ____________.  

40. Research has shown that companies with advanced environmental scanning systems ____________.
   a. increased their profits and revenue growth
   b. collect more data, but not much difference in their profits and revenue growth
   c. improved their ability to compete in the market place
   d. decreased their profits and revenue growth
   (a; moderate; p. 206)

41. Managers need forecasts that will allow them to predict future events effectively and ____________.
   a. accurately
   b. efficiently
   c. specifically
   d. in a timely manner
   (d; moderate; p. 208)

42. Quantitative forecasting applies a set of mathematical rules to ____________.
   a. develop predictions of outcomes from customers’ opinions
   b. a series of past data to predict outcomes
   c. analyze what has happened in the past and determine when it will occur again
   d. estimate the number of products that should be produced at a given time
   (b; moderate; p. 209)

43. The goal of forecasting is to provide managers ____________.
   a. accurate predictions of trends and events
   b. decisions as to what customers will be demanding and when
   c. information about the dynamics of environmental change
   d. with information that will facilitate decision making
   (d; difficult; p. 209)
44. The accuracy of a forecast decreases as the _____________.
   a. quantity of data increases
   b. simplicity of the forecast method increases
   c. period you’re trying to predict increases
   d. number of customers increases
   (c; moderate; p. 210)

45. Forecasting techniques fall into what two categories?
   a. fixed asset and human capital
   b. predictive and confirmatory
   c. quantitative and qualitative
   d. empirical and conceptual
   (c; moderate; p. 209)

46. If General Motors plans on changing their truck paint color scheme because they believe that in the future more women will be interested in purchasing these vehicles, this is an example of what kind of environmental scanning?
   a. scenario
   b. forecasting
   c. benchmarking
   d. anticipating
   (b; moderate; pp. 209-210)

47. What type of forecasting technique relies on the judgment and opinion of knowledgeable individuals?
   a. qualitative
   b. short-term
   c. confirmatory
   d. predictive
   (a; moderate; p. 209)

48. One suggestion for improving forecasting effectiveness is to _____________.
   a. use complex forecasting sequences
   b. gather as much data as possible
   c. always employ global forecasting
d. use simple forecasting techniques

(d; difficult; p. 210)

49. Which of the following is one suggestion for improving forecasting effectiveness?
   a. do not utilize a “no change” scenario
   b. base forecasts beyond the next 2 years
   c. utilize the “half-life” estimation model
   d. employ multiple forecasting methods

(d; moderate; p. 210)

50. Which of the following is a suggestion for improving forecasting effectiveness?
   a. develop a single and effective method
   b. pay attention to trend turning points
   c. develop complex and detailed mathematical models
   d. shorten the length of forecasts

(d; moderate; p. 210)

51. Virtually any component in the organization’s _________ environments can be forecasted.
   a. general and specific
   b. internal and external
   c. external
   d. general

(c; difficult; p. 209)

52. Qualitative forecasting uses the judgment and opinions of _________ to predict outcomes.
   a. customers and suppliers
   b. distributors and suppliers
   c. executives
   d. knowledgeable individuals

(d; difficult; p. 209)

53. Forecasting techniques are most accurate when the environment is __________.
   a. changing inversely
   b. dynamic on the long term, so turning points can be identified
c. not rapidly changing

d. seasonal, but not cyclical

(c; moderate; p. 210)

54. When comparing every forecast with a no-change (in an environment) forecast, the no-change forecast is accurate approximately _________.
a. half of the time
b. three-fourths of the time
c. four-thirds of the time
d. 80 percent of the time

(a; difficult; p. 210)

55. Benchmarking is the search for the best practices among competitors or noncompetitors that lead to their ___________.
a. achieving such a large market share
b. ability to so accurately predict the environment
c. superior performance
d. ability to identify new market niches

(c; difficult; p. 210)

56. Which of the following is true concerning benchmarking?
   a. Benchmarking always involves analyzing a competitor.
   b. Benchmarking is most effective when analyzing within your own industry.
   c. Benchmarking may involve analyzing a company with a completely different product.
   d. Benchmarking foreign companies is not suggested due to cultural differences.

(c; moderate; p. 210)

57. Some companies have chosen some pretty unusual benchmarking partners. Southwest Airlines studied ___________.
a. package handling at FedEx hubs
b. UPS package-handling hubs
c. Indy pit crews
d. tire changers at Goodyear stores

(c; moderate; p. 210)
TECHNIQUES FOR ALLOCATING RESOURCES

58. Which of the following is an accurate statement about budgets?
   a. they are typically not used for time estimating
   b. by nature, they are only financially based
   c. they may be used for organizational space planning
   d. they are typically used for large and small capital expenditures
   (c; difficult; p. 212)

59. A budget is a numerical plan for allocating resources ____________.
   a. to specific activities
   b. dedicated to special projects
   c. areas of production
   d. developing new products
   (a; difficult; p. 212)

60. Budgets are popular most likely because they’re applicable to a wide variety of organizations and ____________.
   a. define how much money will be spent
   b. specify how much money with organization will receive
   c. work activities within organizations
   d. estimate the number of units that will produce
   (c; difficult; p. 212)

61. Many managers don’t like preparing budgets because they feel the process is time consuming, inflexible, inefficient, and ____________.
   a. infallible
   b. inflationary
   c. insignificant
   d. ineffective
   (d; difficult; p. 212)
62. Budgeting is an important managerial activity because it forces financial discipline and structure _________.
   a. with the cash part of the organization
   b. throughout the organization
   c. in the areas of the organization that need it the most
   d. especially with start-up companies
   (b; difficult; p. 212)

63. The Gantt chart was developed during the early 1900s by Henry Gantt, an associate of the scientific management leader _____________.
   a. Henri Fayol
   b. Fredrich Traylor
   c. Henry Ford
   d. Frederick Taylor
   (d; moderate; p. 213)

64. The Gantt chart visually shows when tasks are supposed to be done and compares that with the _________.
   a. supervisors’ estimate of completion
   b. actual progress on each
   c. scheduled delivery of materials
   d. customer’s requested date of delivery
   (b; difficult; p. 213)

65. Gantt charts were developed to help managers perform ___________.
   a. budgeting
   b. benchmarking
   c. regression analysis
   d. scheduling
   (d; moderate; p. 213)
66. A Gantt chart is essentially a bar graph with ________ axis and _________ axis.
   a. time on the vertical; the activities to be scheduled on the horizontal
   b. time on either; the activities to be scheduled on the other
   c. time on the vertical; project completion on the horizontal
   d. time on the horizontal; the activities to be scheduled on the vertical
   (d; difficult; p. 213)

67. Load charts list on the vertical axis either departments or ____________.
   a. functional areas
   b. specific resources
   c. budgets
   d. product weights
   (b; moderate; p. 214)

68. The Program Evaluation and Review Technique (PERT) is especially useful in scheduling ____________.
   a. projects
   b. programs
   c. processes
   d. planning
   (a; difficult; p. 214)

69. The four terms that are required to construct a PERT network are: events, activities, ____________, and ____________.
   a. crucial path; slack time
   b. critical path; estimated time
   c. crucial path; earliest date
   d. slack time; critical path
   (d; moderate; p. 215)

70. A PERT network depicts the sequence of activities needed to complete a project and the _________ each activity.
   a. estimated day of
   b. time or costs associated with
71. In a PERT network, events are __________.
   a. end points that represent the completion of major activities
   b. the longest or the most time-consuming sequence of events in a PERT network
   c. the amount of time an individual activity can be delayed without delaying the whole project
   d. all key activities needed to complete a project
   (a; difficult; p. 215)

72. Which of the following steps in the PERT process are end points that represent the completion of major activities?
   a. critical paths
   b. events
   c. checkpoints
   d. sections
   (b; difficult; p. 215)

73. Which of the PERT steps represent the time or resources required to progress from one event to another?
   a. events
   b. critical paths
   c. checkpoints
   d. activities
   (d; moderate; p. 215)

74. In the PERT process, what is the critical path?
   a. the central guideline that other activities feed into
   b. the checkpoint for comparing standards of completion
75. What type of technique is widely used to help managers make profit projections?
   a. factor analysis
   b. cost accounting
   c. breakeven analysis
   d. PERT
   (c; easy; p. 216)

76. If a retail sales manager wants to know how many denim jackets must be sold in order to reach a specified profit objective, he or she is employing what type of planning tool?
   a. breakeven analysis
   b. PERT
   c. Gantt chart
   d. cost accounting
   (a; difficult; p. 216)

77. Breakeven analysis is a widely used resource allocation technique to help managers make ____________.
   a. project total cost estimates
   b. projections like PERT except it uses costs instead of time units
   c. profit projections
   d. fixed and variable cost estimates
   (c; difficult; p. 216)

78. In order to compute the breakeven point, a manager needs to know the unit price of the product being sold, the variable cost per unit, and ____________.
   a. total number of units sold
   b. fixed costs per unit sold
   c. total fixed costs
   d. none of the above
   (c; easy; p. 216)

79. Examples of fixed costs include ______________.
a. property taxes
b. energy costs
c. labor costs
d. raw materials
(a; easy; p. 217)

80. According to the textbook, some applications for linear programming include ____________.
   a. selecting transportation routes that minimize shipping costs
   b. allocating an advertising budget among different plans
   c. optimally assigning personnel to projects
   d. all of the above
   (d; moderate; p. 217)

81. Because linear programming requires that there be limited resources and outcome optimization, it
   ____________.
   a. cannot be applied to all resource allocation problems
   b. can be used for all profit allocation problems
   c. can be applied to all resource allocation problems
   d. calculates lost time
   (a; difficult; p. 217)

82. If there is a linear relationship between variables included in a linear programming model, then when there
   is a change in one variable, there must be an ____________.
   a. even straight line established between the two points
   b. exactly proportional change in the other variable
   c. estimated profit change in the other
   d. equal absolute change in the other
   (b; difficult; p. 217)

83. An organization breaks even when its total revenue is just enough to equal its ____________.
   a. fixed cost
   b. breakeven costs
   c. variable costs
   d. total cost
CONTEMPORARY PLANNING TECHNIQUES

84. To plan a project, all activities in the project and the resources needed to do them must be ___________.
   a. satisfied
   b. on hand
   c. identified
   d. trained
   (c; difficult; p. 220)

85. The role of project manager remains difficult because she or he is managing people who ____________.
   a. will make mistakes during the project
   b. might not show for work on the day of an important presentation
   c. are not skilled enough to participate in the project
   d. are still linked to their permanent work areas
   (d; difficult; p. 220)

86. A project is considered to be a one-time set of activities that has ____________.
   a. definitive assessment stages across time
   b. significant points to be analyzed
   c. a definite beginning and ending point in time
   d. an estimated start and finished date
   (c; difficult; p. 220)

87. Project management is the task of getting a project’s activities done on time, within budget, and ____________.
   a. following directions
   b. making adjustments in plans
   c. according to specifications
d. within the limits of city engineering  
(c; difficult; p. 220)

88. The only real influence project managers have is _________.  
   a. their ability to keep the project moving forward  
   b. their communication skills and their power of persuasion  
   c. the ability of the supplier to deliver  
   d. insistence that the project be finished according to plans  
   (b; moderate; p. 220)

89. Developing scenarios can be described as ___________.  
   a. planning  
   b. thinking about what will have  
   c. guessing as to what will change  
   d. contingency planning  
   (d; difficult; p. 221)

90. Different assumptions in a scenario can lead to ___________.  
   a. different outcomes  
   b. the same estimates  
   c. disputes over which is correct  
   d. divergent ideas into results  
   (a; difficult; p. 221)

91. Although scenario planning is useful in anticipating events that can be anticipated, it is difficult to  
   _________.  
   a. establish datelines  
   b. prepare for increased sales of output  
   c. present the fact when they occur
92. The task of getting the activities done on time, within budget, and according to specifications is __________.
   a. breakeven analysis
   b. linear programming
   c. probability analysis
   d. project management
   (d; moderate: p. 220)

93. As managers assess the environment, issues and concerns that could affect their organization’s current or planned operations are likely to be revealed, and they ________.
   a. won’t be equally important
   b. won’t be equally associated
   c. will be equally important
   d. will be as important as other, but not equal in value
   (a; difficult: p. 221)

94. The intent of scenario planning is not to try to predict the future, but to reduce uncertainty by ________.
   a. calculating the potential profits from different specified conditions
   b. pretending that the customer needs are different from forecasted
   c. supposing that a different market mix existed
   d. playing out potential situations under different specified conditions
   (d; moderate: p. 221)

95. Planning tools and techniques can help managers prepare ________.
   a. confidently for the future
   b. future events
   c. better budgets
   d. larger projects
   (a; difficult; p. 220)
96. Planning tools and techniques will never replace the manager’s __________ in using the information gained to develop effective and efficient plans.

a. knowledge and expertise
b. skills and capabilities
c. motivation and leadership
d. time and efforts

(b; difficult; p. 220)

SCENARIO QUESTIONS
For each of the following choose the answer that most completely answers the question.

TECHNIQUES FOR ASSESSING THE ENVIRONMENT

Dollars to Donuts (Scenario)

Ralph Friedgrin is the owner of a chain of five donut shops in Smalltown, MD. Smalltown is located along the Interstate 95, about half-way between Lost and Nowhere.

97. Mr. Friedgrin demands that the five store managers during their weekly meeting discuss what the customers in their stores are requesting. Mr. Friedgrin will always read the monthly donut-industry magazine, Holey Mazole. He always attends the Annual National Conference of Donut Makers and updates his managers when he returns. These activities are examples of:

a. competitor intelligence
b. boundary spanning
c. environmental scanning
d. intellectual exercise

(c; difficult; p. 206)

98. Ralph Friedgrin recently had three selected stores experiment with three new frying oils. Customers were then asked to take a taste-preference test of three sample donuts, one for each of the oils: N, O, and W.
Based upon the results of this test, it was concluded that oil N in the test was favored. Which planning tool was Ralph Friedgrin using in this instance?

a. quantitative forecasting technique  
b. Delphi technique  
c. focus group technique  
d. qualitative forecasting technique

(d; moderate; p. 209)

99. On occasion, Ralph Friedgrin goes to nearby, larger towns such as Lost and Nowhere to visit big chain donut shops. Ralph purchases donuts and chats with these customers about their donut likes and dislikes. Fred also will “peek” into the kitchen to view the equipment, or when he can, he will watch through the customer observation window so he will see the whole process. When Ralph Friedgrin travels to Lost and Nowhere to talk with his competitor’s customers, peek at the equipment, and watch through his customer observation window, he is performing which planning technique?

a. competitor intelligence  
b. environmental scanning  
c. intellectual exercise  
d. boundary spanning

(a; difficult; p. 207)

100. If Ralph Friedgrin knew the average number of donuts that Smalltown adults bought per week and the number of Smalltown adults, he could then use which planning tool?

a. environmental scanning  
b. qualitative forecasting technique  
c. quantitative forecasting technique  
d. scenario projection technique

(c; difficult; p. 209)

101. Ralph Friedgrin went to donut shops in Lost and Nowhere so he could talk with his competitor’s customers, peek at their equipment, and evaluate their donut-making process. These acts were __________.

a. legal  
b. legal and ethical  
c. ethical  
d. neither legal nor ethical
102. Ralph Friedgrin contacted the owner of a NASCAR racing team to see if he could spend time with its pit crew to study their teamwork. This is an example of:
   a. qualitative forecasting
   b. benchmarking
   c. quantitative forecasting
   d. scanning.

103. Fred recently went on a well-deserved vacation with his wife, Wilma. While at the beachfront resort, Fred took many notes regarding the excellent service he received. On the flight home, Fred reviewed his notes to see what lessons he could apply to his donut shops. When Fred is out looking at the “best practices” of the other donut stores in these towns, he is performing which of the following?
   a. qualitative forecasting
   b. benchmarking
   c. environmental scanning
   d. scenario planning

104. Ralph’s largest supplier recently approached him about implementing a Web-based software that will utilize data about past sales trends, promotions, and other factors to jointly calculate a demand forecast for particular products. Ralph’s supplier referred to this system as a __________.
   a. JIT system
   b. CPFR system
   c. RFID system
   d. SCM system

TECHNIQUES FOR ALLOCATING RESOURCES

Donut Expansion (Scenario)
Ralph Friedgrin, owner of five donut shops in Smalltown, MD, located half the way between Lost and Nowhere, recently began development of expansion plans based on analyses conducted with his planning tools and techniques. His management team concluded that it was time to expand his donut business to a whole new market niche. Fred has asked that an estimated time of construction and estimated costs be provided. Fred approved construction of two stores in Littleville and recently contracted with the engineering-manufacturing firm from Nowhere, Planning Plus, Inc. (PPI), to build the stores. Fred has been informing PPI of what he calls “best practices” that other donut stores in nearby towns are using and wants them incorporated into these stores.

105. PPI developed a diagram similar to a flowchart to estimate the probable time required to complete construction of the two stores. This flowchart-like diagram is known as which of the following?
   a. program evaluation and review technique
   b. Gantt chart
   c. linear programming
   d. scheduling
   
   *(b; moderate; p. 206)*

106. Fred knew how much capacity it took to produce each type of donut with each type of glaze and the profit margins for each type of donut with each type of glaze. If he wants analyze the product mix that will maximize profits, then he should use which of the following?
   a. budgeting
   b. break-even analysis
   c. linear programming
   d. scheduling
   
   *(c; moderate; pp. 217-218)*

107. Fred has planned the opening day activities and is going to be open for 24 hours. He has planned who is to work which hours and who is to perform which duties during the time open. Fred has also planned which type of donut is to be made at what time. What Fred did in making these plans is know as which of the following?
   a. Gantt chart
   b. PERT
   c. linear programming
   d. scheduling
   
   *(d; easy; p. 213)*
Allocating Resources at Planning Plus, Inc. (Scenario)

Management from all levels of Planning Plus, Inc. (PPI) have been making decisions as to how to best accomplish next year’s organizational plans, objectives, and goals. The production department has been making numerical plans to allocate the number of employees, man-hours per machine, and so on within the department. Accounting has been determining the production quantity when there will be enough total revenue to just equal its total costs. Purchasing has been establishing delivery dates that align with the need dates of the material in the production department. Marketing has been planning the introduction of a new product. What Marketing is using is essentially a bar graph with time on the horizontal axis and activities to be scheduled on the other.

108. When the Production Department made numerical plans to allocate the number of employees, man-hours per machine, and so on within the department, it was using which of the following resource allocation techniques?
   a. scheduling
   b. linear programming
   c. break-even analysis
   d. budgeting

   (d; difficult; p. 212)

109. When Purchasing establishes delivery dates that align with the need dates of the material in the production department, Purchasing is using which of the following resource allocation techniques?
   a. scheduling
   b. linear programming
   c. break-even analysis
   d. budgeting

   (a; moderate; p. 213)
110. When Marketing is using what is essentially a bar graph with time on the horizontal axis and activities to be scheduled on the other, it is using which of the following resource allocation techniques?
   a. PERT
   b. load chart
   c. Gantt chart
   d. scheduling
   (c; moderate; p. 206)

111. When Accounting has determined the production quantity where there will be enough total revenue to just equal its total costs, then Accounting is using which of the following resource allocation techniques?
   a. budgeting
   b. break-even analysis
   c. load chart
   d. scheduling
   (b; moderate; p. 216)

112. Top management has put together a chart that lists entire departments on the vertical axis and time on the horizontal axis. This allows managers to plan and control capacity utilization. Such a chart is known as a
   a. Gantt chart
   b. PERT
   c. load chart
   d. none of the above
   (c; moderate; p. 214)

113. The sales and marketing department is planning to undertake a large departmental reorganization. This project will require hundreds of individual activities, some of which must be done simultaneously and some
of which can’t begin until preceding activities have been completed. How might managers schedule such a complex project?

a. Gantt chart
b. PERT network analysis
c. load chart
d. collaborative planning and forecasting

(b; moderate; pp. 214-215)

114. The marketing department is considering new techniques for allocating their limited advertising budget among various product brands. What technique would be most appropriate?

a. scheduling
b. break-even analysis
c. linear programming
d. PERT network analysis

(c; moderate; pp. 217-218)

115. The logistics department is considering new techniques for selecting transportation routes that minimize shipping costs. What technique would be most appropriate?

a. scheduling
b. break-even analysis
c. linear programming
d. PERT network analysis

(c; moderate; p. 217-218)

Widgets Anyone? (Scenario)

Rose has just graduated from college with a degree in accounting. Her boss has told her, “I can’t understand it; we sold a lot of units last month, and the accountants say we’re losing money.” Rose asked about the cost structure for widgets and was told that widgets sell for $9 each, variable costs are $6 each, and fixed costs are $30,000.

116. Rose calculated a breakeven point in units to be _____________.

a. 10,000 units
b. 5,000 units
c. 20,000 units
117. What is the profit if the company sells 15,000 units?
   a. $5,000
   b. $9,000
   c. $15,000
   d. $18,000
   (c; difficult; p. 216)

118. If the company can lower fixed costs to $21,000, what is the new breakeven point in units?
   a. 3,000
   b. 5,000
   c. 7,000
   d. 10,000
   (c; difficult; p. 216)

Firehouse Cookbook (Scenario)

The Apex Volunteer Fire Department is selling cookbooks as a fund-raiser. Each cookbook costs $3 to produce and fixed costs are $400.

119. If the cookbooks sell for $8 each, how many cookbooks will they have to sell to break even?
   a. 50
   b. 75
   c. 80
   d. 100
   (c; moderate; p. 216)

120. If the cookbooks sell for $8 each, how many cookbooks will they have to sell to make $5,000 profit?
   a. 540
b. 1,080
c. 2,160
d. 2,334

(b; difficult; p. 216)

CONTEMPORARY PLANNING TECHNIQUES

Project: Management (Scenario)

Monica Cutrell is a project management consultant hired by ABC Manufacturing to help reengineer some of their key production processes.

121. CEO Buddy Bacon asks Monica what sorts of processes should be considered for project management. Monica replies that the types of projects _______________ and do not fit into the standardized planning procedures that guide an organization’s other routine work activities are ideal candidates for project management.

a. containing complex interrelated tasks
b. that are temporary in nature
c. that require specialized skills
d. all of the above

(d; moderate; p. 219)

122. Bacon asks Monica where they should begin. Monica replies that typically, the project management process begins with clearly defining the project’s goals. Next, the _________ should be determined.

a. sequence of completion
b. what activities are involved in the project
c. what materials and labor are needed
d. all of the above

(b; difficult; p. 219)

123. Bacon asks about some of the challenges that will face the employees they hire to fill the project manager role. Monica replies that the role of the project manager is often very difficult because ____________.

a. they are managing people typically who are linked to their permanent work areas
b. they have to learn and work very sophisticated computerized online scheduling programs
c. team members seldom work on just one project

d. A and C only

(d; moderate; p. 220)

Scenario Planning at TFIG Restaurants (Scenario)

Alex is a regional manager for TFIG Restaurants. Alex’s region contains 200 TFIG restaurants with more than 5500 full- and part-time employees. Many employees, particularly entry-level servers and bartenders, are paid at minimum wage. Additionally, the wage scale for more experienced hourly employees who are making more than minimum wage is nonetheless pegged to the minimum wage rate. Management believes that the Congress will reconsider the current minimum wage rate in their upcoming session and asks Alex to determine the implications for his region’s labor costs if minimum wages are raised. Alex develops a series of plans and likely results for each incremental $.50 increase in minimum wages.

124. Alex is engaged in scenario planning, which according to the textbook, can also be described as __________ planning.

a. worst/best-case event planning
b. scenario planning
c. script theory in use
d. none of the above

(d; moderate; p. 221)

125. In presenting his results to top management, the COO asks Alex to explain why he developed plans based on multiple scenarios as opposed to only the most likely event. Alex explains that the intent of scenario planning is to __________.

a. try and predict the future
b. reduce uncertainty
c. force executives to rethink the business environment
d. B and C only

(d; difficult: p. 221)

126. The CEO is impressed with Alex’s presentation and wants to know more about the scenario planning approach so that he can apply it to other areas of the business. He asks Alex what are the key limitations of this approach. Alex knows that the biggest weakness of scenario planning is that __________. 
a. it’s difficult to forecast random events that can’t be anticipated
b. different assumptions lead to different outcomes
c. the future can’t be predicted
d. A and C only

(a; difficult; p. 221)
ESSAY QUESTIONS

TECHNIQUES FOR ASSESSING THE ENVIRONMENT

127. In a short essay, list and discuss three techniques that have been developed to help managers with the task of assessing the organization’s environment.

Answer

a. Environmental scanning—Managers in both small and large organizations use environmental scanning, which is the screening of large amounts of information to anticipate and interpret changes in the environment. Extensive environmental scanning is likely to reveal issues and concerns that could affect an organization’s current and planned activities. Research has shown that companies with advanced environmental scanning systems increased their profits and revenue growth. Organizations that don’t keep on top of environmental changes are likely to face the opposite situation.

b. Forecasting—This is an important part of organizational planning, and managers need forecasts that will allow them to predict future events effectively and in a timely manner. Environmental scanning creates the foundation for forecasts, which are predictions of outcomes. Virtually any component in the organization’s general and specific environments can be forecasted. Forecasting techniques are most accurate when the environment is not rapidly changing. The more dynamic the environment, the more likely managers are to forecast ineffectively.

c. Benchmarking—This is the search for the best practices among competitors or noncompetitors that lead to their superior performance. The basic idea behind benchmarking is that managers can improve quality by analyzing and then copying the methods of the leaders in various fields. Even small companies have found that benchmarking can bring big benefits. For instance, Manco, Inc., a small producer of duct tape based in Cleveland, benchmarks itself against Wal-Mart, Rubbermaid, and PepsiCo to help it compete better against rival 3M Corporation.

(moderate; pp. 206-211)

128. In a short essay, briefly discuss the goal of forecasting and describe the environmental conditions under which it is most accurate. Next, detail three of the ways managers can improve the effectiveness of their forecasting efforts. Explain some of the rationale behind why these enhancements work.

Answer
The goal of forecasting is to provide managers with information that will facilitate decision making. Forecasting techniques are most accurate when the environment is not changing rapidly. The textbook discusses several of the ways by which managers can improve the effectiveness of their forecasting efforts and explain why this:

a. Use simple forecasting methods—they tend to do as well and often better than complex methods that may mistakenly confuse random data for meaningful information.

b. Compare every forecast with “no change” —a no change forecast is right about half of the time.

c. Don’t rely on a single forecasting method—make forecasts with several models and average them, especially when making long-term forecasts.

d. Don’t assume you can accurately identify turning points in a trend—what is perceived as a turning point often turns out to be a random event.

e. Shorten the length of the forecast—accuracy decreases as the period you’re trying to predict increases.

f. Practice—forecasting is a managerial skill that can be practiced and improved.

(moderate; pp. 209-210)

129. In a short essay, define breakeven analysis and discuss the various costs associated with a breakeven analysis. Include a specific example of a breakeven problem and solution to support your answer.

Answer

Breakeven analysis is a widely used resource allocation technique to help managers make profit projections. Breakeven analysis is a simple calculation, yet it’s valuable to managers because it points out the relationship between revenues, costs, and profits. To compute breakeven point (BP), a manager needs to know the unit price of the product being sold (P), the variable cost per unit (VC), and total fixed costs (TFC). An organization breaks even when its total revenue is just enough to equal its total costs. However, total costs have two parts: fixed and variable. Fixed costs are expenses that do not change regardless of volume. Examples include insurance premiums, rent, and property taxes. Variable costs change in proportion to output and include raw materials, labor costs, and energy costs. Breakeven point can be computed graphically or by using the following formula: \( BE = \frac{TFC}{P-VC} \).

(easy; pp. 216-217)

130. In a short essay, define a scenario and discuss the concept of scenario planning.

Answer
A scenario is a consistent view of what the future is likely to be. Developing scenarios also can be described as contingency planning; that is, if this is what happens, then these are the actions we need to take. The intent of scenario planning is not to try to predict the future but to reduce uncertainty by playing out potential situations under different specified conditions. Although scenario planning is useful in anticipating events that can be anticipated, it’s difficult to forecast random events—the major surprises and aberrations that can’t be foreseen.

(easy; p. 221)

135. In a short essay, define the practice of project management and explain why many organizations are turning to this approach. Identify three characteristics of organizational projects that would make them good candidates for the project management approach.

**Answer**

Project management is the task of getting a project’s activities done on time, within budget, and according to specifications. More and more organizations are turning to project management because the approach fits well with their need for increased managerial flexibility and rapid response to emerging market opportunities. Projects that are not consistent with the standardized planning procedures that guide the organization’s routine work activities are ideal candidates for project management. Examples of such situation include when the organization undertakes a project that is:

a. unique,
b. have specific deadlines,
c. contain complex interrelated tasks requiring specialized skills, and are
d. temporary in nature.

(easy; pp. 219-220)