

Chapter 7

1. The purpose of business planning is to
 - a. satisfy the state's licensing authority.
 - b. do what management books tell you to do.
 - c. protect traditional activities of the organization.
 - d. direct the company's human and financial resources properly.

2. What is the value of a good business plan?
 - a. Provides specific guidance about what to do and how to do it
 - b. Is a road map from which it cannot deviate
 - c. Models its operations to be the same as the competition
 - d. Operates the same as it did in the past

3. The *MOST* likely key factor for the success of a business plan will be
 - a. the professional planners hired by the broker to write the plan.
 - b. the accountant who worked up the financials for the business plan.
 - c. the manager who proposed the plan to the broker.
 - d. the input from people at various levels in the organization.

4. Once the business plan is developed, the plan
 - a. can be completely ignored.
 - b. can be ignored when circumstances change that make it unworkable.
 - c. should be implemented throughout the organization.
 - d. should be implemented from the top down.

5. The broker wrote a business plan, but six months later, a hurricane destroyed much of the housing and the economy dramatically changed.
In this situation, the broker
 - a. should ignore the original business plan and write a new one.
 - b. should make adjustments and set more achievable goals.
 - c. can forget about planning because the economy is too unpredictable.
 - d. should wing it until the housing market stabilizes.

6. A long-range, general, or strategic plan typically spans
 - a. one year.
 - b. two years.
 - c. three to five years.
 - d. five or more years.

7. What is the brief statement that outlines the organization's fundamental purpose for existing?
 - a. General objectives
 - b. Overall goals
 - c. Strategies
 - d. Mission statement

8. In a business plan, the general objectives become the organization's
 - a. priorities during the timeframe of the plan.
 - b. plans for what to do if the economy changes.
 - c. outline for how to achieve profitability.
 - d. foundation on which the business enterprise is built.

9. Knowing profitability allows an organization to
 - a. recognize if the organization must borrow money to continue operations.
 - b. validate the way that the organization is operating in pursuit of its goals.
 - c. borrow more capital for expansion.
 - d. illustrate that real estate licensees should join the firm.

10. An organization's mission statement is, "The company is in business to be successful." This mission statement
 - a. says exactly what the business expects to do.
 - b. states where the business expects to be in the future.
 - c. states the purpose for the business to exist.
 - d. says that business hopes to survive, but says little more.

11. Which of the following is a characteristic of a successful goal?
 - a. Vague
 - b. Measurable
 - c. Indeterminate
 - d. Indefinite

12. What process lays out a methodology for accomplishing goals?
 - a. Contingency planning
 - b. Strategic planning
 - c. Alternative forecasting
 - d. Production accomplishment

13. The broker has decided that the commercial division of her company is not profitable because other larger, more funded companies are doing the commercial transactions. In what section of the business plan, if any, should this phase-out be addressed?
 - a. Strategy part of the plan
 - b. The mission statement
 - c. Individual goals
 - d. Nowhere, because it is not necessary to plan for discontinuing a market or service

14. In which order should the components of a plan be written?
 - a. Goal, strategy, general objective
 - b. Mission statement, general objective, contingencies
 - c. General objective, goal, strategy
 - d. Mission statement, contingencies, goals

15. The broker wants to establish a relocation department. Which of the following is a strategy to accomplish this?
- Make the necessary preparations and plan allocation of resources to that end
 - Increase the number of referrals from corporate clients
 - Establish alternatives in case the new enterprise does not make money
 - Create the best referral network in the geographical area
16. What kind of planning provides alternatives for the organization in the case of certain events?
- Short-range planning
 - Contingency planning
 - Activity planning
 - Tactical planning
17. What is usually written last but included first in the formal planning document?
- Mission statement
 - Executive summary
 - General strategies
 - Long-term goals
18. What is necessary if the business plan is to be successfully implemented?
- Contingency plans
 - Tactical planning
 - Executive summary
 - General objectives
19. How often should management review the long- range plan?
- Semiannually
 - Annually
 - Biannually
 - Every three years
20. Which of the following is the company's work plan for the year?
- Contingency plan
 - Strategic plan
 - Tactical plan
 - Business plan

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1. d The purpose of planning is to better direct the company's human and financial resources to those selected activities that will yield the greatest return on investment. 129
2. a Proper planning is based on specific, measurable goals that provide specific guidance to the organization about the tasks that the organization must do to achieve success. 126
3. d People are more likely to be committed when they see that the plan evolved from a deliberate, logical decision-making process. Engaging people from various levels in the organization not only provides multiple perspectives but also gives people a sense of ownership, which enhances commitment. 127
4. c Planning activities must be integrated throughout the organization to get people to buy into the resulting plan. A plan must be implemented; it serves no purpose being hidden in a drawer. 127
5. b If a plan doesn't materialize as expected during the first year (i.e., the hurricane changes the marketplace), the broker should review the business plan to make adjustments as necessary and set more realistic or achievable goals, given the unexpected circumstances. 128
6. c A typical long-range plan spans three to five years, although many companies have found that three years is better in today's dynamic environment. 128
7. d The mission statement defines the organization's fundamental purpose for existing, the foundation on which the business is built, and, most importantly, forms a vision for its reason for existing in the future. 130
8. a General objectives crystallize on what the organization needs to focus to accomplish its mission in the contemporary environment. Each general objective is supported by a number of specific goals, the end results that the organization wants to achieve. 131
9. b Profitability is not the purpose for an enterprise but rather a validation that the organization is doing the right things in pursuit of a clearly defined mission. 130
10. d This mission statement, "The company is in business to be successful," does little more than hope that the business survives. The goal is not specific, measurable, attainable, or framed in time. A better goal is, "The company plans to be at least third in listing market share." 132
11. b A goal should be specific, measureable, attainable, and framed in time (beginning and completion dates). 132
12. b Strategic planning, also called long-range planning, provides not just goals but also the strategic methodology for accomplishing them. 134
13. a Not all goals are production-related. The strategy part of a plan is where the phaseout of an activity that is no longer suitable is addressed and supported by strategies to assimilate those activities and personnel elsewhere in the organization. 135
14. c Each general objective is supported by specific goals. Each goal is supported by a strategy that prescribes the methodology for accomplishing each goal. 132
15. a A strategy prescribes the methodology for accomplishing each goal. In this case, the goal is to "establish a relocation department." The strategy to reach that goal involves making the necessary preparations and plans to allocate the resources. 135
16. b Contingency plans provide alternatives for the organization in the case of unforeseen events that impact the long-range goals. 135
17. b The executive summary is usually placed right after the table of contents in the formal document, although it is usually written last. It is often a several-page summary that outsiders (lenders and investors) typically see, and as such, captures the essence of the plan. 137
18. b Tactical planning must bring the plan to life by defining activities that are most important and charging people with the responsibility for accomplishing them. 138

19. b A sound, long-range plan becomes the foundation for the company's operations, and an annual review of the long-range plan forms the basis for the next year's plan. 140
20. d The business plan is the company's work plan for the year; it brings together goals and strategies, including some refinements, and helps to set priorities. Tactical planning directs the workflow under the strategies identified in the business plan. 139