TRUE/FALSE QUESTIONS

A MANAGER’S DILEMMA

1. According to the boxed feature for Chapter 10, management at Svenska Handelsbanken, Sweden’s premiere bank, attributes its competitive advantage to the great degree of autonomy it grants its branch managers.
   (True; moderate; p. 233)

2. According to the boxed feature for Chapter 10, management at Svenska Handelsbanken, Sweden’s premiere bank, has established incentives to prevent predatory competition between branches.
   (False; moderate; p. 233)

DEFINING ORGANIZATIONAL STRUCTURE

3. Organizational design is the organization’s formal framework by which job tasks are divided, grouped, and coordinated.
   (False; difficult; p. 234)

4. The concept of work specialization can be traced back a couple of centuries to Adam Smith’s discussion of division of labor.
   (True; moderate; p. 235)

5. Division of labor is the degree to which tasks in an organization are divided into separate jobs.
   (True; moderate; p. 235)

6. Grouping jobs on the basis of product or customer flow is termed customer departmentalization.
   (False; moderate; p. 237)
7. Geographic departmentalization has greatly increased in importance because of today’s competitive business environment.
   (False; moderate; p. 237)

8. A group of individuals who are experts in various specialties and who work together is a cross-functional team.
   (True; moderate; p. 237)

9. Authority is the individual’s capacity to influence decisions.
   (False; difficult; p. 237)

10. Responsibility is the rights inherent in a managerial position.
    (False; easy; p. 237)

11. When decisions tend to be made at lower levels in an organization, the organization is said to be decentralized.
    (True; moderate; p. 239)

12. In the last 35 years, there has been a trend of organizations moving toward increased decentralization.
    (True; easy; p. 239)

13. Standardization refers to the degree to which jobs within the organization are standardized and the extent to which employee behavior is guided by rules and procedures.
    (False; moderate; p. 239)

ORGANIZATIONAL DESIGN DECISIONS

14. An organic organization tends to be characterized by high specialization, extensive departmentalization, narrow spans of control, high formalization, a limited information network, and little participation in decision making by low-level employees.
    (False; moderate; p. 241)

15. An organic organization would likely be very flexible.
    (True; moderate; p. 241)

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16. Innovators need the efficiency, stability, and tight controls of the mechanistic structure.  
   (False; easy; p. 241)

17. The relationship between organizational size and structure tends to be linear.  
   (False; difficult; p. 242)

18. Joan Woodward attempted to view organizational structure from a technological perspective.  
   (True; moderate; p. 242)

19. Woodward demonstrated that organizations adapt their structures to their technology.  
   (True; moderate; p. 247)

20. Woodward’s findings support that there is “one best way” to organize a manufacturing firm.  
   (False; moderate; p. 242)

21. The strength of the functional structure is that it focuses on results.  
   (False; moderate; p. 244)

22. A mechanistic organization is characterized by high specialization, narrow spans of control, and a limited information network.  
   (True; easy; p. 241)

23. Organic organizations do not have division of labor and jobs and so people remain unstandardized.  
   (False; moderate; p. 241)

**COMMON ORGANIZATIONAL DESIGNS**

24. A manufacturing organization that relies on outside suppliers to provide product components which are then assembled into the final product is called a modular organization.  
   (True; easy; p. 248)

25. Traditional organizational designs include the simple structure, the functional structure, and the divisional structure.  

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26. Employee empowerment is a crucial aspect of team structure because there is no line of managerial authority from top to bottom.  
(True; moderate; p. 246)

27. A simple structure is an organizational design with low departmentalization, narrow spans of control, and little formalization.  
(False; moderate; p. 244)

28. Project structures tend to be rigid and inflexible organizational designs.  
(False; easy; p. 246)

29. Matrix structure is an organizational structure that assigns specialists from different functional departments to work on one or more projects led by project managers.  
(True; moderate; 246)

30. The inspiration of the virtual organization structural approach is the film industry.  
(True; moderate; p. 247)

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

DEFINING ORGANIZATIONAL STRUCTURE

31. Organizational design is based on decisions about ___________.  
   a. work specialization and departmentalization  
   b. chain of command and span of control  
   c. centralization and decentralization  
   d. all of the above  
   (d; moderate; p. 234)

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32. Which statement accurately defines work specialization?
   a. the degree to which tasks are divided into separate jobs
   b. individual employees specialize in doing part of an activity rather than the entire activity
   c. jobs are ranked relative only to their worth or value to the businesses
   d. a and b
   (d; difficult; p. 235)

33. On what basis are jobs grouped in order to accomplish organizational goals?
   a. departmentalization
   b. centralization
   c. formalization
   d. coordination
   (a; moderate; p. 235)

34. Sales responsibilities divided into the Southwest, Midwest, southern, northern, and western regions would be an example of what type of departmentalization?
   a. product
   b. geographic
   c. process
   d. outcome
   (b; easy; p. 236)

35. Grouping activities on the basis of customer flow is _____________.
   a. functional departmentalization
   b. product departmentalization
   c. geographical departmentalization
   d. process departmentalization
   (d; moderate; p. 236)

36. What kind of departmentalization would be in place in a government organization where different public service responsibilities are divided into activities for employers, children, and the disabled?
   a. product
   b. geographic
   c. outcome

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37. Today’s competitive business environment has greatly increased the importance of what type of departmentalization?
   a. geographic
   b. customer
   c. product
   d. process
   (b; difficult; p. 237)

38. Functional departmentalization groups jobs by ____________.
   a. tasks they perform
   b. territories they serve
   c. products or services they manufacture or produce
   d. type of customer they serve
   (a; moderate; p. 236)

39. Assigning designers, production workers, and salespeople to a common work group to develop a new product is known as a ____________ team.
   a. differentiated
   b. product
   c. cross-functional
   d. weak
   (c; moderate; p. 237)

40. In describing the degree to which tasks in an organization are divided into separate jobs, managers use the term ____________.
   a. work specialization
   b. departmentalization
   c. chain of command
   d. span of control
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41. Departmentalization based on ______________ groups’ jobs based on the territory or physical location.
   a. functional
   b. product
   c. geographic
   d. matrix
   (c; easy; p. 236)

42. ______________ departmentalization is based on the product or customer flow through the organization.
   a. Product
   b. Functional
   c. Process
   d. Organizational structure
   (c; moderate; p. 237)

43. ______________ departmentalization is used more in recent years to better monitor the needs of customers and to respond to changes in those needs.
   a. Needs-based
   b. Functional
   c. Process
   d. Customer
   (d; moderate; p. 237)

44. The continuous line of authority that extends from the upper levels of management to the lowest levels of the organization is ____________.
   a. authorized line of responsibility
   b. unity of command
   c. responsibility factor
   d. chain of command
   (d; moderate; p. 237)

45. ____________ refers to the rights inherent to a position that allows a manager to tell subordinates what to do and expect them to do it.

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46. ______________ is the obligation or expectation to perform a duty.
   a. Responsibility
   b. Unity of command
   c. Chain of command
   d. Span of control
   (a; moderate; p. 237)

47. The theory that a person should report to only one manager is called ____________.
   a. authorized line of responsibility
   b. unity of command
   c. responsibility factor
   d. chain of command
   (b; moderate; p. 237)

48. Which one of Fayol’s 14 principles of management helps preserve the concept of a continuous line of authority?
   a. unity of demand
   b. unity of command
   c. demand structure
   d. continuous demand
   (b; moderate; p. 237)

49. The concept that defines the number of subordinates that report to a manager and that indirectly specifies the number of levels of management in an organization is called ____________.
   a. authorized line of responsibility

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b. unity of command
c. responsibility factor
d. **span of control**

(d; difficult; p. 238)

50. In organizations, the trend in recent years has been toward _____________.
   a. narrower span of control
   b. increased chain of command
   c. the organization’s structure being based on its financial position
   d. **wider span of control**

(d; moderate; p. 238)

51. All other things being equal, as the span of control grows wider or larger, organizational design becomes more _____________.
   a. bureaucratic
   b. democratic
   c. effective
   d. **efficient**

(d; difficult; p. 238)

52. ____________ is the number of subordinates that a manager manages and ultimately determines the number of levels of managers in an organization.
   a. Responsibility
   b. Unity of command
   c. Chain of command
   d. **Span of control**

(d; moderate; p. 238)

53. Trends in the past few years have centered on a ____________ span of control to reduce costs and speed decision making.
   a. narrower

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b. wider  
c. deeper  
d. stable  
(b; moderate; p. 238)

54. The degree to which decision making is confined at a single point in an organization is described as ___________.  
   a. unity of command  
   b. chain of command  
   c. span of management  
   d. centralization  
(d; moderate; p. 239)

55. In recent years, there has been a movement to make organizations more flexible and responsive through ___________.  
   a. centralization  
   b. decentralization  
   c. alternative organizational structure  
   d. customer-based structure  
(b; moderate; p. 239)

56. The degree to which jobs are standardized and guided by rules and procedures is called ___________.  
   a. work specialization  
   b. centralization  
   c. decentralization  
   d. formalization  
(d; difficult; p. 240)

57. In an effort to make organizations more flexible and responsive to competitive pressures, firms have adopted more ___________ decision making.  
   a. centralized  
   b. decentralized  
   c. vertically integrated  
   d. stable  

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ORGANIZATIONAL DESIGN DECISIONS

58. A(n) ____________ organization is rigidly controlled and efficient.
   a. organic
   b. horizontal
   c. learning
   d. mechanistic
   (d; moderate; p. 241)

59. A(n) ____________ organization is able to change rapidly as needs require.
   a. organic
   b. horizontal
   c. vertical
   d. mechanistic
   (a; moderate; p. 241)

60. When managers standardize employee behavior through rules and procedures, the jobs are becoming more ____________.
   a. diversified
   b. formalized
   c. vertical
   d. horizontal
   (b; difficult; p. 240)

61. In describing the relationship between structure and strategy, it can be said that ____________.
   a. structure follows strategy
   b. strategy follows structure
   c. strategy and structure are always handled equally
   d. strategy follows structure in smaller organizations
   (a; moderate; p. 242)

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62. In linking strategy and structure, most strategic frameworks tend to focus on ____________.
   a. the pursuit of meaningful and unique innovation
   b. the pursuit of tightly controlled costs
   c. minimizing risk and maximizing profit opportunities by copying market leaders
   d. all of the above

63. As a type of technology, ____________, centers on large-batch production and requires moderate levels of complexity and sophistication.
   a. unit production
   b. mass production
   c. process production
   d. service production

64. Organizations that work like efficient, well-oiled machines are described as ____________.
   a. organic
   b. mechanistic
   c. rational
   d. intuitive

65. Organizations that are highly flexible and adaptive are described as ____________.
   a. organic
   b. mechanistic
   c. rational
   d. intuitive

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66. Structure is related to the size of the organization, such that larger organizations tend to have more _________.
   a. specialization
   b. departmentalization
   c. centralization
   d. all of the above
   (d; moderate; p. 242)

67. Structure is related to the size of the organization, such that larger organizations are more _____________.
   a. mechanistic
   b. organic
   c. structurally weak
   d. decentralized
   (a; moderate; p. 242)

68. In Joan Woodward’s study of the relationship between technology and structure, the structure that was the most technically complex was ______________.
   a. unit production
   b. mass production
   c. process production
   d. technological production
   (c; moderate; p. 242)

69. According to Woodward’s studies, what type of production works best with a mechanistic structure?
   a. unit
   b. process
   c. product
   d. mass
   (d; moderate; p. 243)

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70. In studies of the structure of an organization to uncertainty in the environment, organizations that face higher uncertainty are more __________.
   a. organic
   b. mechanistic
   c. technologically pure
   d. supportive of technological change

   (a; moderate; p. 243)

71. Global competition, accelerated product development by competitors, and increased demands by customers for better service have encouraged organizations to become more __________.
   a. organic
   b. mechanistic
   c. technologically pure
   d. task oriented

   (a; moderate; p. 243)

72. Which of the following would likely be found in mechanistic organizations?
   a. wide span of control
   b. empowered employees
   c. decentralized responsibility
   d. standardized job specialties

   (d; difficult; p. 241)

73. In the early years of Apple Computers, its desire for highly proficient and creative employees who operated with few work rules best exemplified what type of organization?
   a. bureaucratic
   b. mechanistic
   c. volatile
   d. organic

   (d; difficult; p. 241)

74. Which type of environment is best suited for mechanistic organizations?
   a. dynamic

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75. The appropriate structure for an organization is based on four contingency variables: strategy, size, degree of environmental uncertainty, and _____________.
   a. technology
   b. history
   c. leadership
   d. intensity of competition
   (a; easy; p. 241)

76. Joan Woodward study of the relationship between technology and structure is based upon her study of small manufacturing firms in _____________.
   a. the northeastern United States
   b. the south of Wales
   c. France
   d. southern England
   (d; difficult; p. 242)

COMMON ORGANIZATIONAL DESIGNS

77. Traditional organizational designs tend to be more mechanistic, and include _____________.
   a. simple, functional, and corporate structures
   b. simple, functional, and business unit structures
   c. functional, strategic, and business unit structures
   d. simple, functional, and divisional structures.
   (d; moderate; p. 244)
78. A small business with low departmentalization, wide spans of control, centralized authority, and limited formalization can be said to possess a ________________ structure.
   a. simple
   b. functional
   c. divisional
   d. matrix
   (a; easy; p. 244)

79. As the number of employees in an organization grows, structure tends to become more ________________.
   a. specialized
   b. informal
   c. centralized
   d. a and b
   (a; easy; p. 244)

80. When an organization assigns specialists to groups according to the projects they are working on, this is called ________________.
   a. divisional structure
   b. functional structure
   c. product structure
   d. matrix structure
   (d; difficult; p. 244)

81. A simple organizational structure is characterized by ________________.
   a. high departmentalization
   b. wide spans of control
   c. decentralized authority
   d. high levels of formalization
   (b; moderate; p. 244)

82. Divisional structure allows grouping of different groups of jobs that are related by ________________.
   a. the product produced

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b. the service offered

c. the cost advantage within a niche market

d. a and b

(d; difficult; p. 244)

83. Matrix structure mixes characteristics of functional departmentalization and ____________.

a. product departmentalization  
b. process departmentalization  
c. a dual chain of command  
d. a narrow span of control

(a; difficult; pp. 245-246)

84. Matrix structure violates a key element of organizational design called ________________.

a. unity of command  
b. chain of command  
c. span of management  
d. decentralization

(a; moderate; pp. 245-246)

85. A _______________ organization is a small core organization that outsources major business functions such as manufacturing, allowing the firm to concentrate on its core competencies.

a. network  
b. virtual  
c. modular  
d. learning

(a; moderate; p. 248)

86. A _______________ organization consists of a small core of full-time employees and temporarily hires outside specialists to work on emergent opportunities.

a. network  
b. virtual  
c. modular  
d. learning

(b; moderate; p. 247)

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87. A learning organization has developed its _________________.
   a. educational department to keep employees trained
   b. capacity to adapt and change
   c. barriers to entry of its markets
   d. a sustainable competitive advantage that is easy to maintain
   (b; difficult; p. 248)

88. A ________________ organization uses outside suppliers to provide product components which are then
    assembled into final products.
   a. network
   b. virtual
   c. modular
   d. learning
   (c; moderate; p. 248)

89. A ________________ design is not limited to horizontal, vertical, or external boundary imposed by a
    conventional structure.
   a. learning organization’s
   b. threatened organization’s
   c. functional
   d. boundaryless organization’s
   (d; difficult; p. 247)

90. What type of organization assigns specialists from different functional departments to work on one or more
    projects led by a project manager?
   a. classical
   b. contemporary
   c. matrix
   d. evolutionary

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91. An online wine retailer that sells and ships hundreds of wines to customers all over the world with a payroll of six employees, most likely has what kind of organizational structure?
   a. bureaucratic
   b. simple
   c. functional
   d. divisional
   (b; difficult; p. 244)

92. What type of organizational structure is made up of autonomous, self-contained units?
   a. bureaucratic
   b. simple
   c. functional
   d. divisional
   (d; moderate; p. 244)

93. In what type of organizational structure is empowerment most crucial?
   a. bureaucratic
   b. simple
   c. functional
   d. team-based
   (d; easy; p. 245)

94. The matrix approach violates what classical principle?
   a. unity of command
   b. decentralization
   c. customer focus
   d. linear lines of responsibility
   (a; moderate; p. 246)

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95. The strength of a _____________ structure is based on results of managers, but it has a weakness because duplication can occur easily within the organization.
   a. simple
   b. functional
   c. divisional
   d. matrix
   (c; difficult; p. 244)

96. _____________ structure is an advanced version of the matrix organization, where employees continuously work on assignments that are oriented to completion of a task.
   a. Weighted
   b. Functional
   c. Conservative
   d. Project
   (d; difficult; p. 247)

97. Some organizational theorists go so far as to say that an organization’s ability to __________ may be the only sustainable source of competitive advantage.
   a. learn
   b. apply what they learn
   c. change
   d. a and b
   (d; moderate; p. 248)

98. According to the textbook, organizational learning can’t take place without __________.
   a. motivation
   b. goals
   c. information
   d. structure
   (c; moderate; p. 249)

SCENARIO QUESTIONS

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

DEFINING ORGANIZATIONAL STRUCTURE

Eric the Redd (Scenario)

Eric Redd graduated from college and was hired by a corporation that manufactured parts for the automotive industry. The employees on the assembly line seemed bored, and their motivation was low. Eric's employer decided to try to reorganize to increase productivity. During his career, Eric will see his job change from an engineer to a more complex job assignment.

99. The jobs of assembly-line employees are to be changed to allow more tasks to be done by individual workers. This is a reduction in ____________.
   a. work specialization
   b. departmentalization
   c. chain of command
   d. centralization
   (a; difficult; p. 235)

100. Eric majored in engineering and really enjoyed the work assignment. The reorganization changed some of his work assignments to include working on a team with production workers and marketing specialists designing the newest products the company will offer. This could be described as a(n) ____________.
   a. alternative work assignment
   b. career degrading assignment
   c. centralized work assignment
   d. cross-functional team assignment
   (d; moderate; p. 237)

101. Eric is offered a chance to help direct the efforts of some employees assigned to his work group. This is a chance of Eric to experience ____________.
   a. functional structure
   b. divisional structure
   c. responsibility
   d. authority
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102. Eric sees this new assignment as an obligation or expectation for him to perform at a new level of ______________.
   a. functional structure
   b. divisional structure
   c. responsibility
   d. authority

103. Eric’s job continues to change over the years, and eventually, his department evolves to the point that he is in advanced structure where he continually works on projects. This structure is known as ____________ structure.
   a. simple
   b. functional
   c. divisional
   d. project

General Hospital (Scenario)

Michelle is a registered nurse in charge of a new unit at her hospital. She would like to have a more laid-back approach in dealing with her new staff, but the hospital demands that there be strict hierarchical levels and that all decisions must be signed off by Michelle. Sometimes this drives Michelle nuts—the constant filling out of forms, and so forth. She also feels that the numerous levels of hierarchy are unnecessary and place barriers between herself and her staff. She isn’t sure why things have to be so “organized” and is thinking about speaking with her boss to attempt changing her unit to have more flexibility and fewer rules.

104. Michelle is very concerned about the formal framework by which job tasks within her nursing unit are divided, grouped, and coordinated within her unit. This framework is known as the unit’s ____________.
   a. formal organizational chart
   b. organizational structure
   c. staff
   d. span of control

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105. Michelle’s unit specializes in cardiology cases. Dividing work units up in such a manner is most representative of ___________ departmentalization.
   a. functional
   b. product
   c. process
   d. customer
   (d; moderate; p. 237)

106. Michelle is required to sign off on all decisions, suggesting the hospital has what kind of decision-making authority?
   a. centralized
   b. formal
   c. autocratic
   d. strict
   (a; moderate; p. 239)

107. Michelle has noticed that everyone is very concerned about the line of authority within the organization. The line of authority within the organization is also called a(n) _____________.
   a. responsibility
   b. chain of command
   c. span of control
   d. organizational strategy
   (b; easy; p. 237)

108. Michelle was asked to represent her cardiac unit as part of a Total Quality Management (TQM) initiative that is aimed at improving the overall quality of care at the hospital. Other departments, such as Cardiology and ER, also have representatives on this team. The TQM team exemplifies ________________.
   a. project management
   b. a cross functional team
   c. process integration
   d. customer departmentalization
   (b; easy; p. 237)

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You Can Take That to the Bank (Scenario)

Changes in banking regulations, a series of loan defaults by dotcom customers and a decline in the California real estate market have forced Western Bank, a large regional West Coast bank, to downsize in an effort to improve profitability and bolster its sagging stock price. Susan Q., a regional branch supervisor for the Sacramento district, has been tasked with preparing a management report concerning how these cuts are affecting bank operations and customer service. Susan believes that the most important problem that has emerged concerns span of control and decision-making authority within the bank. In the past, bank policy was that no manager should supervise more than six subordinates and only managers could make decisions for their individual units. However, with many of the cuts coming in middle management, upper management has increased its span of control while still insisting on managerial-only decision making at the unit level. The result is that upper managers spend all of their time putting out fires and subordinates feel they are getting answers too slowly. As a result, lower level employees are requesting greater authority to make decisions on their own. Susan Q believes that structural changes must be made that reflect Western Bank’s new situation.

109. Based upon the preceding description of Western Bank’s situation, which aspect(s) of the current situation are inconsistent with Western Bank’s decision to maintain a centralized form of decision making?
   a. the environment is uncertain
   b. wider span of managerial control
   c. the company is large
   d. a and b

   (d; moderate; p. 239)

110. Susan believes that Western Bank should be more highly adaptive and flexible. She would like Western Bank to possess more of a(n) ___________ structure?
   a. organic
   b. mechanistic
   c. formalized
   d. technological

   (a; easy; p. 241)

111. In her report, Susan cites a case study of the Bank of Montreal, and points to this bank as a model for future restructuring efforts. Key component(s) to the Bank of Montreal’s success include ____________.

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a. employee empowerment
b. geographic departmentalization
c. increased work specialization
d. a and b

(d; moderate; pp. 237 and 240)

ORGANIZATIONAL DESIGN DECISIONS

Leather and Lacey (Scenario)

Lacey has been hired as a consultant for XYZ Consulting. Her first assignment is to work with one of XYZ’s newest clients, Custom Leather, Inc., a manufacturer of high-end leather furniture. Custom Leather was founded over a decade ago with the idea that great looking, comfortable leather furniture could be custom made and delivered to customers in 30 days. Traditionally, retailers stock leather sofas to satisfy the desire to receive new furniture fast—limiting the choice of colors and style for the consumer. In stark contrast, Custom Leather, offers 13 different styles in over 70 different colors—from rich, deep browns to bright, sunflower; sleek, silver grays and bright, ruby red—through a select group of retail outlets. Each piece is built to the customer’s individual requirements and is shipped with in 2–3 weeks. However, the emergence of a new manufacturing technology has enabled a few, traditionally mass-production competitors to offer greater customization, minimizing some of Custom Leather’s competitive advantage. As a result, Custom Leather is considering sweeping changes to current work processes and organizational structure.

112. At their first meeting, Lacey provides copies of a collection of Joan Woodward’s essays for Custom Leather’s management to read. Lacey believes that Woodward’s work may be particularly pertinent in considering Custom Leather’s organizational structure, since Woodward believed that the effectiveness of the organization was related to the fit between the firms’s ________________.
   a. employees and products
   b. technology and structure
   c. size and structure
   d. processes and employees

(b; moderate; p. 242)
113. After reading Woodward’s work at Lacey’s suggestion, Custom Leather CEO Miles Standish asks her about other contingency factors that should be considered in optimally designing the firm’s organizational structure. Lacey responds that other contingency factors linked to structure include ________________.
   a. market orientation
   b. process
   c. organizational complexity
   d. none of the above
   
   (d; moderate; pp. 242-243)

114. Lacey believes that as Custom Leather devises a competitive response to its more intense competitive environment, it is important to ensure that emergent strategies are coaligned with Custom Leather’s structure. She explains to Standish that strategy frameworks tend to focus on three dimensions: innovation, cost minimization, and ________________.
   a. market orientation
   b. customization
   c. imitation
   d. none of the above
   
   (c; moderate; p. 242)

115. Standish is interested in learning more about the link between strategic decision making and organizational structure. Lacey suggested that the research and writings of __________, which were based on studies of U.S. firms in the late 1950s and early 1960s and remain the most seminal study in this area.
   a. Arthur Miller
   b. Joan Woodward
   c. Alfred Chandler
   d. Raymond Kramer
   
   (c; difficult; p. 242)

116. Standish is considering doubling the size of his workforce in conjunction with expanding the number of retail outlets that carry Custom Leather products. Lacey tells him that he should expect the organization to become more ____________ as a result of this change.
   a. mechanistic
   b. formalized
   c. organic
   
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117. Many of Custom Leather’s 75 employees are highly skilled and experienced artisans. Many long time employees are stock holders and all participate in the profit sharing plan. While there is division of labor, the jobs most floor employees perform are not highly standardized. Management has found that employees take great pride in their craft, thus requiring minimal formal rules and little direct supervision. These traits are most typical of a(n) _______________ organization.

a. informal  
b. mechanistic  
c. organic  
d. empowered

(c; moderate; p. 241)

118. Since Custom Leather produces individually customized couches, this could best be referred to as what kind of production?

a. mass  
b. process  
c. unit  
d. environmental

(c; moderate; p. 242)

119. Custom Leather’s competitors typically produce its couches in large batches. This could best be referred to as what kind of production?

a. mass  
b. process  
c. unit  
d. environmental

(a; moderate; p. 242)

120. Lacey tells Standish that studies have found that as environmental uncertainty increases, _______________ designs tend to be most effective.

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a. organic  
b. mechanistic  
c. traditional  
d. centralized  

(a; easy; p. 243)

COMMON ORGANIZATIONAL DESIGNS

Black Gold, Texas Tea (Scenario)

Paul Abdul Oil Corporation (PAOC) began as a relatively small, oil company. However, through the years it has grown to become an international corporation.

121. The original entrepreneurial venture consisted only of Mr. Abdul and a few employees. It was an informal organization, and everyone reported to Mr. Abdul. This is best described as a ________ structure.
   a. simple  
b. functional  
c. divisional  
d. matrix  

(a; easy; p. 244)

122. A sharp rise in oil prices helped PAOC’s business expand. Abdul concluded that it was impractical and inefficient for all decisions to continue flowing through his office. He granted his key subordinates the authority and responsibility to manage others within their areas of specialty. This organizational structure is best described as a ________ organizational structure.
   a. simple  
b. functional  
c. divisional  
d. matrix  

(b; moderate; p. 244)

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123. Paul Abdul decided to purchase an oil drilling supply company, located in a new country. The purchase of this company was classified as a related diversification, but distance and the new product line suggested that this newly purchased organization continue to be operated as a separate company. In beginning a new phase in the history of Paul Abdul Oil Corporation, a ________ structure should be implemented to allow the company to continue to grow.
   a. simple
   b. functional
   c. divisional
   d. matrix
   (c; difficult; p. 244)

124. As PAOC continues to grow, a highly trained group of managers and analysts has developed at corporate headquarters. This group is highly adaptive in its structure. Members of this group do not have standardized jobs, but are empowered to handle diverse job activities and problems. This group of employees is said to have a(n) ________ structure.
   a. simple
   b. divisional
   c. functional
   d. organic
   (d; difficult; p. 243)

125. To deal with the workload in an effective manner, PAOC’s executive management group assigns specialists from the different functional departments to work on one or more work groups that are led by project managers. This popular contemporary design is called a ________ structure.
   a. matrix
   b. divisional
   c. functional
   d. organic
   (a; moderate; P. 246)

126. Mr. Abdul realizes that his company is taking on a life of its own and he wants to allow people from all levels to work together in teams. This view grows to include employees working actively with external agencies. This organizational design does not have a predefined structure and is referred to as a (n) ________.

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127. Twenty years after founding PAOC, Abdul decides he is approaching retirement. He wants PAOC to develop the capacity to adapt itself and change because each member will take an active role in identifying and resolving work-related issues. Abdul wants the firm to become a _____________.

a. learning organization
b. threatened organization
c. functional structure
d. boundaryless organization

(a; moderate; pp. 248-249)

128. Several years after the retirement of Mr. Abdul, management at PAOC decided to sell off its oil exploration and drilling supply holdings, and instead focus on the more profitable distribution end of the business. In conjunction with this decision, management decided to outsource most of its noncore functions, such as accounting, payroll, and human resources. These moves are consistent with what type of contemporary organizational design?

a. a virtual organization
b. a network organization
c. a modular organization
d. a matrix organization

(b; difficult; p. 248)

ESSAY QUESTIONS

DEFINING ORGANIZATIONAL STRUCTURE

129. In a short essay, list and explain the six key elements in designing an organization’s structure.

Answer

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a. Work specialization—This concept describes the degree to which tasks in an organization are divided into separate jobs. The essence of work specialization is that an entire job is not done by one individual, but instead is broken down into steps, with each step completed by a different person.
b. Departmentalization—The basis by which jobs are grouped together is called departmentalization. The five common forms of departmentalization include functional, product, geographical, process, and customer departmentalization.
c. Chain of command—This is the continuous line of authority that extends from upper organizational levels to the lowest levels and clarifies who reports to whom. It helps employees answer questions such as “Who do I go to if I have a problem?” or “To whom am I responsible?”
d. Span of control—This concept is important because, to a large degree, it determines the number of levels and managers an organization has. All things being equal, the wider or larger the span of control, the more efficient the organization.
e. Centralization and decentralization—Centralization describes the degree to which decision making is concentrated at a single point in the organization. If top managers make the organization’s key decisions with little or no input from below, then the organization is centralized. In contrast, the more that lower-level employees provide input or actually make decisions, the more decentralization there is.
f. Formalization—This refers to the degree to which jobs within the organization are standardized and the extent to which employee behavior is guided by rules and procedures. If a job is highly formalized, then the person doing that job has a minimum amount of discretion over what is to be done, when it’s to be done, and how he or she could do it.

(difficult; pp. 234-240)

130. In a short essay, list and discuss the five common forms of departmentalization.

Answer
a. Functional departmentalization—Jobs are grouped by the functions (i.e., marketing, finance, human resources) performed. This approach can be used in all types of organizations, although the functions change to reflect the organization’s objectives and work activities.
b. Product departmentalization—Jobs are grouped by product line. In this approach, each major product area is placed under the authority of a manager who’s a specialist in, and is responsible for, everything having to do with that product line.
c. Geographical departmentalization—Jobs are grouped on the basis of a territory or geography such as southern, midwestern, or northwestern regions for an organization operating only in the United States; or for a global company, maybe U.S., European, Canadian, and Asian-Pacific regions.

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d. Process departmentalization—This method groups jobs on the basis of product or customer flow. In this approach, work activities follow a natural processing flow of product or even customers.

e. Customer departmentalization—Jobs are grouped on the basis of common customers who have common needs or problems that can best be met by having specialists for each.

(moderate; pp. 235-237)

131. In a short essay, list six factors that influence the amount of centralization (or decentralization) in an organization.

Answer

More Centralization
a. The environment is stable.
b. Lower-level managers are not as capable or experienced at making decisions as upper-level managers.
c. Lower-level managers do not want to have a say in decisions.
d. Decisions are significant.
e. The organization is facing a crisis or the risk of company failure.
f. The company is large.
g. Effective implementation of company strategies depends on managers’ retaining a say over what happens.

More Decentralization
a. The environment is complex, uncertain.
b. Lower-level managers are capable and experienced at making decisions.
c. Lower-level managers want a voice in decisions.
d. Decisions are relatively minor.
e. The corporate culture is open to allowing managers to have a say in what happens.
f. The company is geographically dispersed.
g. Effective implementation of company strategies depends on managers’ having involvement and flexibility to make decisions.

(moderate; pp. 239-240)

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132. In a short essay, list and discuss the four contingency variables that should be considered in determining an appropriate structure in organizational design.

**Answer**

a. Strategy and structure—An organization’s structure should facilitate the achievement of goals. Since goals are influenced by the organization’s strategies, it’s only logical that strategy and structure should be closely linked. More specifically, structure should follow strategy. If managers significantly change the organization’s strategy, they will need to modify structure to accommodate and support the change.

b. Size and structure—There’s considerable evidence that an organization’s size significantly affects its structure. For instance, large organizations—those with 2,000 or more employees—tend to have more specialization, departmentalization, centralization, and rules and regulations than do small organizations. However, the relationship isn’t linear. Rather, size affects structure at a decreasing rate; that is, size becomes less important as an organization grows.

c. Technology and structure—Every organization has at least one form of technology to convert its inputs into outputs. The processes or methods that transform an organization’s inputs into outputs differ by their degree of routineness. In general, the more routine the technology, the more standardized and mechanistic the structure can be. Organizations with more nonroutine technology are more likely to have organic structures.

d. Environmental uncertainty and structure—Since uncertainty threatens an organization’s effectiveness, managers will try to minimize it. One way to reduce environmental uncertainty is through adjustments in the organization’s structure. The greater the uncertainty, the greater the need for the flexibility offered by an organic design. On the other hand, in stable, simple environments, mechanistic designs tend to be most effective.

(difficult; pp. 241-243)

133. In a short essay, list the three traditional organizational designs. Describe the characteristics that are commonly associated with each.

**Answer**

In designing a structure to support the most efficient and effective accomplishment of organizational goals, managers often rely upon tried and true traditional organizational designs. These designs are: the simple structure, functional structure and divisional structure.
• The simple structure is most often associated with small entrepreneurial ventures and is common among organizations where the owner and manager are one and the same. Simple structures possess low departmentalization, wide spans of control, authority centralized in a single person, and little formalization. As firms grow, structure tends to become more specialized and formalized, departments and new levels of management are created, and the firm takes on a more bureaucratic nature.

• A functional structure is an organizational design that groups similar or related occupational specialties together. It is a functional approach to departmentalization applied to the entire organization. For example, organizing around the separate functions of operations, finance, human resources, marketing, and R&D. Finally, the divisional structure is an organizational structure made up of separate business units or divisions. In this design, each unit maintains limited autonomy with a division manager responsible for performance and determining who has strategic and operational authority within the divisional unit. However, the parent corporation still typically acts as an external overseer to coordinate and control the various divisions.

(moderate; p. 244)