

Organizational Behavior, 15e (Robbins/Judge)
Chapter 15 Foundations of Organization Structure

- 1) The degree to which tasks in an organization are subdivided into separate jobs, is called _____.
- A) social clustering
 - B) bureaucracy
 - C) work specialization
 - D) centralization
 - E) departmentalization

Answer: C

Explanation: C) We use the term "work specialization," or division of labor, to describe the degree to which activities in the organization are subdivided into separate jobs. The essence of work specialization is to divide a job into a number of steps, each completed by a separate individual.

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Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

- 2) Which of the following statements is true regarding work specialization?
- A) Work specialization indicates to what degree will there be rules and formalized regulations to direct employees and managers.
 - B) Work specialization decreases the time spent in changing tasks.
 - C) Work specialization increases the cost of finding and training workers to do specific and repetitive tasks.
 - D) Work specialization decreases efficiency and productivity.
 - E) Work specialization hinders efficient use of employee skills.

Answer: B

Explanation: B) Work specialization indicates the degree to which activities in the organization are subdivided into separate jobs. Work specialization makes the most efficient use of employees' skills. Less time is spent in changing tasks, putting away tools and equipment from a prior step, and getting ready for another.

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Difficulty: Moderate

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

3) For much of the first half of the twentieth century, managers viewed work specialization as _____.

- A) a means to encourage employee satisfaction
- B) an effective solution to over-centralization
- C) an unending source of increased productivity
- D) difficult to implement without automation technology
- E) a frustrating cause of reduced efficiency

Answer: C

Explanation: C) For much of the first half of the twentieth century, managers viewed work specialization as an unending source of increased productivity. And they were probably right. When specialization was not widely practiced, its introduction almost always generated higher productivity.

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Difficulty: Moderate

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

4) The basis by which jobs are grouped is called _____.

- A) social clustering
- B) span of control
- C) work specialization
- D) centralization
- E) departmentalization

Answer: E

Explanation: E) The basis by which jobs are grouped is called departmentalization.

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LO: 1

AACSB: Analytic Skills

Difficulty: Moderate

Quest. Category: Application

Learning Outcome: Discuss the factors that influence decisions about organizational structure

5) A plant manager organizes a plant by separating engineering, accounting, manufacturing, personnel, and purchasing into departments. The plant is departmentalized on the basis of _____.

- A) target customer
- B) product
- C) function
- D) geography
- E) service

Answer: C

Explanation: C) One of the most popular ways to group activities is by functions performed. A manufacturing manager might organize a plant into engineering, accounting, manufacturing, personnel, and supply specialists departments.

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AACSB: Analytic Skills

Difficulty: Moderate

Quest. Category: Application

Learning Outcome: Discuss the factors that influence decisions about organizational structure

6) AgriProducers has customers all over the United States that need their soil and crops tested in their labs. The crops and soil are different in the various large areas of the nation, such as the West Coast and the Midwest. Which type of departmentalization would be best for AgriProducers?

- A) functional
- B) process
- C) product
- D) geographic
- E) temporal

Answer: D

Explanation: D) AgriProducers' needs would best be served by departmentalizing on the basis of geography. This form is valuable when an organization's customers are scattered over a large geographic area and have similar needs based on their location.

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AACSB: Analytic Skills

Difficulty: Hard

Quest. Category: Application

Learning Outcome: Discuss the factors that influence decisions about organizational structure

7) Procter & Gamble has separate departments for Tide, Pampers, Charmin, and Pringles. This is an example of departmentalization by _____.

- A) function
- B) process
- C) geography
- D) product
- E) interest

Answer: D

Explanation: D) Firms can departmentalize jobs by the type of product or service the organization produces. For example, Procter & Gamble places each major product, such as Tide, Pampers, Charmin, and Pringles, under an executive who has complete global responsibility for it.

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AACSB: Analytic Skills

Difficulty: Moderate

Quest. Category: Application

Learning Outcome: Discuss the factors that influence decisions about organizational structure

8) Wiper Inc., a parts supplier, has separate departments for government aircraft and contracts, large commercial aircraft clients, and small personal aircraft clients. This is an example of departmentalization on the basis of _____.

- A) product
- B) function
- C) geography
- D) customer
- E) service

Answer: D

Explanation: D) A firm can departmentalize based on the particular type of customer the organization seeks to reach. Microsoft, for example, is organized around four customer markets: consumers, large corporations, software developers, and small businesses. Customers in each department have a common set of problems and needs best met by having specialists for each. Wiper Inc. is departmentalized to meet different customer needs.

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AACSB: Analytic Skills

Difficulty: Moderate

Quest. Category: Application

Learning Outcome: Discuss the factors that influence decisions about organizational structure

9) The unbroken line of authority that extends from the top of the organization to the lowest echelon and clarifies who reports to whom is termed _____.

- A) chain of command
- B) path of power
- C) span of control
- D) line of responsibility
- E) web of authority

Answer: A

Explanation: A) The chain of command is an unbroken line of authority that extends from the top of the organization to the lowest echelon and clarifies who reports to whom. It answers questions such as "To whom do I go if I have a problem?" and "To whom am I responsible?"

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Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

10) Chain of command is a key element of an organization's structure. Which of the following key questions is addressed by this element?

- A) How many individuals can a manager efficiently and effectively direct?
- B) To whom do individuals and groups report?
- C) On what basis will jobs be grouped together?
- D) To what degree are activities subdivided into separate jobs?
- E) To what degree will there be rules and regulations to direct employees and managers?

Answer: B

Explanation: B) The chain of command is an unbroken line of authority that extends from the top of the organization to the lowest echelon and clarifies who reports to whom. It answers questions such as "To whom do I go if I have a problem?" and "To whom am I responsible?"

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Difficulty: Moderate

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

11) Span of control is a key element of an organization's structure. Which of the following key questions is addressed by this element?

A) On what basis will jobs be grouped together?

B) To whom do individuals and groups report?

C) To what degree will there be rules and regulations to direct employees and managers?

D) How many individuals can a manager efficiently and effectively direct?

E) To what degree are activities subdivided into separate jobs?

Answer: D

Explanation: D) Span of control determines the number of levels and managers an organization has. All things being equal, the wider or larger the span, the more efficient the organization.

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Difficulty: Moderate

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

12) Which of the following terms refers to the rights inherent in a managerial position to give orders and expect them to be obeyed?

A) chain of command

B) authority

C) power

D) span of control

E) leadership

Answer: B

Explanation: B) Chain of command can't be discussed without also discussing authority. Authority refers to the rights inherent in a managerial position to give orders and expect them to be obeyed. To facilitate coordination, each managerial position is given a place in the chain of command, and each manager is given a degree of authority in order to meet his or her responsibilities.

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Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

13) The principle of _____ helps preserve the concept of an unbroken line of authority.

- A) span of control
- B) departmentalization
- C) cross-functionality
- D) centralization
- E) unity of command

Answer: E

Explanation: E) Chain of command can't be discussed without also discussing unity of command. The principle of unity of command helps preserve the concept of an unbroken line of authority. It says a person should have one and only one superior to whom he or she is directly responsible. If the unity of command is broken, an employee might have to cope with conflicting demands or priorities from several superiors.

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Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

14) According to the principle of unity of command, _____.

- A) managers should limit their oversight to a maximum of 12 employees
- B) managers should oversee 1-4 employees on average
- C) an individual should be directly responsible to only one supervisor
- D) an organization should be departmentalized on the basis of functions
- E) employees should report directly to two supervisors to maintain task balance

Answer: C

Explanation: C) Chain of command can't be discussed without also discussing unity of command. The principle of unity of command helps preserve the concept of an unbroken line of authority. It says a person should have one and only one superior to whom he or she is directly responsible. If the unity of command is broken, an employee might have to cope with conflicting demands or priorities from several superiors.

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Learning Outcome: Discuss the factors that influence decisions about organizational structure

Mike Morrell is a production supervisor in Porco Rosso, an aircraft manufacturing firm. After evaluating Mike's managerial capabilities, some members of the senior management feel that average productivity would improve if more workers are assigned to him. However, some managers are skeptical about Mike's ability to handle more workers.

15) Which of the following statements, if true, would support the argument favoring increased span of control?

- A) Mike's team consists of highly experienced and skilled labor.
- B) Porco Rosso recently became the world's leading aircraft manufacturer.
- C) Mike is receiving increasing complaints about interpersonal conflicts within the team.
- D) Mike's team is highly dependent on his guidance, even on minor issues.
- E) When additional workers were assigned to Mike on a previous occasion, it had led to unfavorable results.

Answer: A

Explanation: A) As Mike's team consists of highly experienced and skilled labor, Mike's managerial abilities would complement his team's abilities and certainly improve the average productivity. Porco Rosso becoming the leading aircraft manufacturer is simply stating a mere and irrelevant fact. If Mike is receiving increasing complaints about interpersonal conflicts within his team, then he isn't doing a very good job to begin with and hence must not be assigned more workers. If Mike's team is highly dependent on his guidance, his hands are already full and assigning more workers certainly wouldn't be advised. As it had led to unfavorable results the previous time additional workers were assigned to Mike, it shows that he is incapable of handling more than the present number.

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LO: 1

AACSB: Reflective Thinking

Difficulty: Hard

Quest. Category: Critical Thinking

Learning Outcome: Discuss the factors that influence decisions about organizational structure

16) Which of the following statements, if true, would weaken the argument favoring increased span of control?

- A) Mike has a reputation of handling interpersonal conflicts effectively.
- B) Performance reports from the last few years show that teams that were monitored closely had higher productivity.
- C) Porco Rosso recently launched its latest engine model, the PR-4.
- D) Market trends indicate that the demand for aircraft is expected to increase substantially over the next few years.
- E) When additional workers were assigned to Mike on a previous occasion, it had led to favorable and productive results.

Answer: B

Explanation: B) Mike's ability to handle conflicts effectively and his track record which shows that increasing his span of control led to good results in the past, if anything, strengthens the argument. Market trends and the fact that Porco Rosso recently released a new engine are irrelevant as they neither strengthen nor weaken the argument. As previous performance reports show that teams that were monitored closely have higher productivity, it weakens the argument considerably. Monitoring Mike's team closely would benefit the productivity and assigning more workers to him would retard it.

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AACSB: Reflective Thinking

Difficulty: Hard

Quest. Category: Critical Thinking

Learning Outcome: Discuss the factors that influence decisions about organizational structure

17) The _____ refers to the number of subordinates that a manager directs.

- A) span of control
- B) unity of command
- C) chain of command
- D) line of responsibility
- E) leadership web

Answer: A

Explanation: A) The number of employees that a manager can efficiently and effectively direct describes the span of control. It is important because it largely determines the number of levels and managers an organization has.

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Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

18) A _____ is consistent with recent efforts by companies to reduce costs, cut overhead, speed up decision making, increase flexibility, get closer to customers, and empower employees.

- A) wider span of control
- B) high degree of formalization
- C) longer chain of command
- D) lack of work specialization
- E) high degree of centralization

Answer: A

Explanation: A) The trend in recent years has been toward wider spans of control, which are consistent with efforts to reduce costs, cut overhead, speed decision making, increase flexibility, get closer to customers, and empower employees.

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Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

19) A narrow span of control _____.

- A) encourages employee autonomy
- B) is expensive because it adds levels of management
- C) simplifies vertical communication
- D) increases the speed of decision making
- E) discourages overly tight supervision

Answer: B

Explanation: B) Narrow spans of control are expensive because they add levels of management. The added levels of hierarchy slow down decision making and tend to isolate upper management.

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Difficulty: Moderate

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

20) Anna's company needs to dramatically cut costs, speed decision making, and increase flexibility. Which of the following structural decisions will help her achieve the desired objectives?

- A) increasing the span of control
- B) decreasing the unity of command
- C) increasing the degree of formalization
- D) decentralizing management decisions
- E) departmentalizing the company on the basis of products

Answer: A

Explanation: A) The trend in recent years has been toward wider spans of control. They're consistent with firm's efforts to reduce costs, cut overhead, speed decision making, increase flexibility, get closer to customers, and empower employees.

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AACSB: Analytic Skills

Difficulty: Moderate

Quest. Category: Application

Learning Outcome: Discuss the factors that influence decisions about organizational structure

21) Which of the following is a drawback of a narrow span of control?

- A) It reduces effectiveness.
- B) It is more expensive.
- C) It encourages employee autonomy.
- D) It decreases the number levels in the organizational hierarchy.
- E) It increases participatory decision making.

Answer: B

Explanation: B) Narrow spans have three major drawbacks. First, they're expensive because they add levels of management. Second, they make vertical communication in the organization more complex. The added levels of hierarchy slow down decision making and tend to isolate upper management. Third, narrow spans encourage overly tight supervision and discourage employee autonomy.

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Difficulty: Moderate

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Learning Outcome: Discuss the factors that influence decisions about organizational structure

Gordon is a new divisional manager at AskSocrates.com. In reorganizing his division, he must make some decisions regarding the span of control for management within his division.

22) The question of span of control determines _____.

- A) the employee grievance policy of the organization
- B) the number of levels and managers in an organization
- C) where decisions are made
- D) how jobs will be grouped
- E) how employees will be compensated

Answer: B

Explanation: B) The number of employees a manager can efficiently and effectively direct refers to the span of control. It is important because it largely determines the number of levels and managers an organization has. All things being equal, the wider or larger the span, the more efficient the organization.

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AACSB: Analytic Skills

Difficulty: Moderate

Quest. Category: Application

Learning Outcome: Discuss the factors that influence decisions about organizational structure

23) While observing the departments in his division, Gordon notices that some managers with wide spans of control seem to perform more effectively than other managers with similarly sized spans of control. Which of the following statements is most likely to be true regarding the high-performing managers?

- A) These managers are paid higher salaries than the low-performing managers.
- B) These managers have external locus of control.
- C) The employees within their departments tend to compete to reach productivity goals, which boosts performance.
- D) The employees within their departments score high on agreeableness.
- E) The employees within their departments are highly skilled and very knowledgeable about their jobs.

Answer: E

Explanation: E) To ensure performance doesn't suffer because of wider spans of control, organizations have to invest heavily in employee training. Managers recognize they can handle a wider span when employees know their jobs inside and out or can turn to co-workers when they have questions.

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AACSB: Analytic Skills

Difficulty: Moderate

Quest. Category: Application

Learning Outcome: Discuss the factors that influence decisions about organizational structure

24) In an organization, top managers make all the decisions, and lower-level managers merely carry out their directives. This organization is most likely to be characterized by _____.

- A) a narrower span of control
- B) a low degree of formalization
- C) a high degree of centralization
- D) a high degree of departmentalization
- E) a low degree of work specialization

Answer: C

Explanation: C) Centralization refers to the degree to which decision making is concentrated at a single point in the organization. In centralized organizations, top managers make all the decisions, and lower-level managers merely carry out their directives. In organizations at the other extreme, decentralized decision making is pushed down to the managers closest to the action.

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Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

25) _____ refers to the degree to which decision making is concentrated at a single point in the organization.

- A) Formalization
- B) Departmentalization
- C) Centralization
- D) Work specialization
- E) Line of command

Answer: C

Explanation: C) Centralization refers to the degree to which decision making is concentrated at a single point in the organization. In centralized organizations, top managers make all the decisions, and lower-level managers merely carry out their directives.

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Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

26) According to a 2011 survey, many workers in Qtopia Inc. are dissatisfied with their jobs. The survey revealed that most of the dissatisfied workers believe that they have very little control over their job assignments. Therefore, to increase workers' job satisfaction, Boris, a production manager, feels they need to only concentrate on changing the dissatisfied workers' beliefs regarding the degree of control they have over their job assignments. Which of the following, if true, would weaken the conclusion made by Boris?

- A) Many dissatisfied workers feel that their wages are too low and working conditions are unsatisfactory.
- B) The number of workers in Qtopia Inc. who are satisfied with their jobs is greater than the number of workers who are dissatisfied.
- C) The workers in Qtopia Inc. are more dissatisfied than workers in other companies.
- D) Qtopia Inc. was included in a popular magazine's list of 100 best companies to work for, in its 2008 edition.
- E) The workers in the company who are satisfied with their jobs believe that they have sufficient control over their job assignments.

Answer: A

Explanation: A) If many workers are also dissatisfied with their wages and working conditions, the management has to do more than just change the workers beliefs regarding degree of control, hence, weakening the argument. The fact that the number of workers in the company who are satisfied with their jobs is greater than the number of workers who are dissatisfied is out of scope and so is the fact that the workers in the company are more dissatisfied than workers in other companies. The fact that Qtopia Inc. was included in a popular magazine's list of 100 best companies to work for in its 2008 edition is a mere fact that isn't relevant to the current problem. Boris' argument talks about the dissatisfied workers and not the satisfied ones. Hence, the fact that the workers in the company who are satisfied with their jobs believe that they have sufficient control over their job assignments is irrelevant.

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LO: 1

AACSB: Reflective Thinking

Difficulty: Hard

Quest. Category: Critical Thinking

Learning Outcome: Discuss the factors that influence decisions about organizational structure

27) The more the lower-level personnel provide input or are actually given the discretion to make decisions, the _____ within that organization.

- A) higher is the degree of formalization
- B) lower is the level of empowerment
- C) lower is the degree of work specialization
- D) higher is the degree of departmentalization
- E) higher is the degree of decentralization

Answer: E

Explanation: E) In decentralized organizations decision making is pushed down to the managers closest to the action. A decentralized organization can act more quickly to solve problems, more people provide input into decisions, and employees are less likely to feel alienated from those who make decisions that affect their work lives.

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LO: 1

Difficulty: Moderate

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

28) _____ refers to the degree to which jobs within the organization are standardized.

- A) Formalization
- B) Empowerment
- C) Work specialization
- D) Departmentalization
- E) Decentralization

Answer: A

Explanation: A) Formalization refers to the degree to which jobs within the organization are standardized. If a job is highly formalized, the incumbent has a minimal amount of discretion over what to do and when and how to do it.

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Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

29) Elena is the senior manager of a scientific operations team at a well-known clinical research organization. The organization delivers more than 4,000 solutions across more than 18 therapeutic areas. Being a perfectionist, Elena has reached her present position through hard work and dedication. Given that she has also worked effectively with teams in the past, she has recently been assigned to lead a team working on a new project which is critical to the company. Elena refuses to allocate any tasks to her team and decides to put in extra hours and weekends to complete the groundwork herself. Based on the information presented here, which of the following would best explain this contradiction?

- A) Elena feels she will not be able to guide her team well on the project.
- B) Elena is not very sociable with her colleagues.
- C) Elena feels that by delegating work, she will complicate her working relationship with the team.
- D) Elena feels that this project is vital to the team's success.
- E) Elena is reluctant to delegate work as she lacks confidence in her team's abilities.

Answer: E

Explanation: E) Elena doesn't trust her team's abilities. Hence, she refuses to allocate any tasks to her team and decides to put in extra hours and weekends to complete the groundwork herself. The fact that Elena is not very sociable, her self-distrust on being able to guide her team or her complicating the relationship with the team doesn't explain why she refuses to let her team in on the project. If Elena felt this project was vital to her team's success, she would've coordinated with her team to achieve the expected favorable results.

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LO: 2

AACSB: Reflective Thinking

Difficulty: Hard

Quest. Category: Critical Thinking

Learning Outcome: Discuss the factors that influence decisions about organizational structure

30) Publishing representatives who call on college professors to inform them of their company's new publications have a great deal of freedom in their jobs. They have only a general sales pitch, which they tailor as needed. Based on this information, we can say that the job of these publishing representatives _____.

- A) scores low on the degree of work specialization
- B) scores low on the degree of decentralization
- C) scores high on the degree of departmentalization
- D) scores high on the degree of centralization
- E) scores low on the degree of formalization

Answer: E

Explanation: E) Formalization refers to the degree to which jobs within the organization are standardized. If a job is highly formalized, the incumbent has a minimum amount of discretion over what, when, and how to do it. The publishing representatives have a great deal of freedom in their jobs so we can say that the job scores low on the degree of formalization.

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LO: 1

AACSB: Analytic Skills

Difficulty: Moderate

Quest. Category: Application

Learning Outcome: Discuss the factors that influence decisions about organizational structure

31) The clerical and editorial employees in a publishing house need to be at their desks by 8:00 AM and follow a set of precise procedures dictated by management. The jobs of these clerical and editorial employees _____.

- A) have a wide span of control
- B) score high on the degree of departmentalization
- C) score high on the degree of formalization
- D) lack a unity of command
- E) score low on the degree of work specialization

Answer: C

Explanation: C) Formalization refers to the degree to which jobs within the organization are standardized. If a job is highly formalized, the incumbent has a minimum amount of discretion over what, when, and how to do it. A high degree of formalization is characterized by clearly defined procedures covering work processes in organizations. Since the clerical and editorial employees have to follow a set of precise procedures dictated by management, their jobs score high on the degree of formalization.

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AACSB: Analytic Skills

Difficulty: Moderate

Quest. Category: Application

Learning Outcome: Discuss the factors that influence decisions about organizational structure

32) A _____ is characterized by a low degree of departmentalization, wide spans of control, authority centralized in a single person, and little formalization.

- A) bureaucracy
- B) matrix organization
- C) simple structure
- D) networked organizational structure
- E) hierarchical organization

Answer: C

Explanation: C) The simple structure is not elaborate. It has a low degree of departmentalization, wide spans of control, authority centralized in a single person, and little formalization. It is a "flat" organization; it usually has only two or three vertical levels, a loose body of employees, and one individual in whom the decision-making authority is centralized.

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Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

33) The simple structure is most widely practiced in small businesses in which _____.

- A) the manager and owner are one and the same
- B) the number of employees is between 100 to 150
- C) employees are highly skilled
- D) managers are hired directly by the company's owner
- E) training budgets are limited

Answer: A

Explanation: A) The simple structure is most widely practiced in small businesses in which the manager and owner are one and the same.

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Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

34) Mark is the owner of a local shoe business. He has fifteen employees who report directly to him and he makes all the decisions regarding the type and quality of shoes and looks after the shop's finances. Which type of organizational structure does Mark have?

- A) bureaucracy
- B) virtual structure
- C) matrix structure
- D) boundaryless structure
- E) simple structure

Answer: E

Explanation: E) A simple structure has a low degree of departmentalization, wide spans of control, authority centralized in a single person, and little formalization. It is a "flat" organization; it usually has only two or three vertical levels, a loose body of employees, and one individual in whom the decision-making authority is centralized. So Mark's shop has a simple structure.

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LO: 2

AACSB: Analytic Skills

Difficulty: Moderate

Quest. Category: Application

Learning Outcome: Discuss the factors that influence decisions about organizational structure

35) Which of the following statements is true about the simple structure?

- A) It is very expensive to operate.
- B) It is characterized by a high degree of formalization.
- C) It becomes increasingly inadequate as an organization grows.
- D) It is most widely adopted in large businesses in which the manager and owner are different.
- E) It is characterized by a narrow span of control.

Answer: C

Explanation: C) A simple structure has a low degree of departmentalization, wide spans of control, authority centralized in a single person, and little formalization. It's fast, flexible, and inexpensive to operate, and accountability is clear. One major weakness is that it's difficult to maintain in anything other than small organizations. It becomes increasingly inadequate as an organization grows because its low formalization and high centralization tend to create information overload at the top.

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LO: 2

Difficulty: Moderate

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

36) Which of the following is a characteristic of a simple structure?

- A) high centralization
- B) inflexibility
- C) narrow spans of control
- D) ambiguous accountability
- E) high degree of formalization

Answer: A

Explanation: A) The simple structure is not elaborate. It has a low degree of departmentalization, wide spans of control, authority centralized in a single person, and little formalization. It is a "flat" organization; it usually has only two or three vertical levels, a loose body of employees, and one individual in whom the decision-making authority is centralized. It's fast, flexible, and inexpensive to operate, and accountability is clear.

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LO: 2

Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

37) The key concept that underlies all bureaucracies is _____.

- A) efficiency
- B) standardization
- C) increased flexibility
- D) decentralization
- E) specialization

Answer: B

Explanation: B) Standardization is the key concept that underlies all bureaucracies. They all rely on standardized work processes for coordination and control.

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LO: 2

Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

38) Which of the following statements is true regarding a bureaucracy?

- A) Bureaucracies are characterized by a low degree of formalization.
- B) Bureaucracy is an ideal organizational design for those organizations that operate under highly uncertain conditions.
- C) Typically, bureaucracies have wider spans of control.
- D) Bureaucracies can get by with less talented middle- and lower-level managers.
- E) Bureaucracies encourage employee empowerment.

Answer: D

Explanation: D) Bureaucracies can get by with less talented — and, hence, less costly — middle- and lower-level managers. Rules and regulations substitute for managerial discretion. Standardized operations and high formalization allow decision making to be centralized. There is little need for innovative and experienced decision makers below the level of senior executives.

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Difficulty: Moderate

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

39) Which of the following types of organizational designs combines two forms of departmentalization, functional and product?

- A) simple structure
- B) bureaucracy
- C) matrix structure
- D) virtual structure
- E) boundaryless structure

Answer: C

Explanation: C) The matrix structure combines two forms of departmentalization: functional and product. Thus, members in a matrix structure have a dual chain of command: to their functional department and to their product groups.

Page Ref: 488

LO: 3

Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

40) The strength of product departmentalization in the matrix structure is that it facilitates _____.

- A) coordination among specialties
- B) implementation of a high degree of centralization
- C) adherence to chain of command
- D) standardization
- E) employee empowerment

Answer: A

Explanation: A) The strength of the product departmentalization side of the matrix structure is that it facilitates coordination among specialties to achieve on-time completion and meet budget targets. It provides clear responsibility for all activities related to a product but with duplication of activities and costs.

Page Ref: 488

LO: 3

Difficulty: Moderate

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

You are interested in explaining the different types of organizational designs to students of basic management. These students need to know the advantages and disadvantages of each structure as well as the structure's characteristics.

41) You extol the virtues and benefits of standardization. You are most likely to be promoting the _____.

- A) matrix structure
- B) virtual organization
- C) bureaucracy
- D) boundaryless structure
- E) simple structure

Answer: C

Explanation: C) Standardization is the key concept that underlies all bureaucracies. The bureaucracy is characterized by highly routine operating tasks achieved through specialization, very formalized rules and regulations, tasks grouped into functional departments, centralized authority, narrow spans of control, and decision making that follows the chain of command.

Page Ref: 487

LO: 2

AACSB: Analytic Skills

Difficulty: Moderate

Quest. Category: Application

Learning Outcome: Discuss the factors that influence decisions about organizational structure

42) You explain to your students the structure of a local grocery store situated in your neighborhood. The store employs two full-time employees, a salesperson and a cashier. The owner of the store acts as its manager and makes all the decisions. Which of the following organizational structures is being described by you?

- A) matrix structure
- B) virtual structure
- C) bureaucracy
- D) boundaryless structure
- E) simple structure

Answer: E

Explanation: E) A simple structure describes an organizational structure characterized by a low degree of departmentalization, wide spans of control, authority centralized in a single person, and little formalization.

Page Ref: 486

LO: 2

AACSB: Analytic Skills

Difficulty: Moderate

Quest. Category: Application

Learning Outcome: Discuss the factors that influence decisions about organizational structure

43) You describe to your students a new committee within the university that brings together specialists from all different departments to develop a new interdisciplinary program. The structure of the committee best meets the definition of the _____ structure.

- A) matrix
- B) simple
- C) boundaryless
- D) virtual
- E) bureaucratic

Answer: A

Explanation: A) The matrix structure describes an organizational structure that creates dual lines of authority and combines functional and product departmentalization.

Page Ref: 488

LO: 3

AACSB: Analytic Skills

Difficulty: Hard

Quest. Category: Application

Learning Outcome: Discuss the factors that influence decisions about organizational structure

44) Which of the following statements is true regarding a matrix structure?

- A) It breaks the unity-of-command concept.
- B) It cannot achieve economies of scale.
- C) It reduces ambiguity about who reports to whom.
- D) It prevents power struggles.
- E) It avoids duplication of activities.

Answer: A

Explanation: A) The matrix structure breaks the unity-of-command concept and increases ambiguity about who reports to whom. The strength of the matrix is its ability to facilitate coordination when the organization has a number of complex and interdependent activities.

Page Ref: 489

LO: 3

Difficulty: Moderate

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

45) Which one of the following problems is most likely to occur in a matrix structure?

- A) decreased response to environmental change
- B) increased social loafing
- C) loss of economies of scale
- D) increase in groupthink
- E) employees receiving conflicting directives

Answer: E

Explanation: E) The major disadvantages of the matrix lie in the confusion it creates, its propensity to foster power struggles, and the stress it places on individuals. Without the unity-of-command concept, ambiguity about who reports to whom is significantly increased and often leads to conflict.

Page Ref: 490

LO: 3

Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

46) A _____ organization is a small, core organization that outsources major business functions.

- A) centralized
- B) virtual
- C) bureaucratic
- D) matrix
- E) formalized

Answer: B

Explanation: B) The virtual organization is also sometimes called the network, or modular, organization. It is typically a small, core organization that outsources major business functions.

Page Ref: 490

LO: 4

Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

47) A virtual organization is also known as a(n) _____ organization.

- A) boundaryless
- B) electronic
- C) modular
- D) pyramidal
- E) triangular

Answer: C

Explanation: C) A virtual organization is also known as a network or a modular organization.

Page Ref: 490

LO: 4

Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

48) You are the CEO of Achilles Incorporation. You have decided to hire other organizations to perform many of the basic functions of your business. You have hired an accounting firm to keep your records, a recruiting firm to handle human resource functions, and a computer firm to handle all records. To keep costs down, you are looking for other areas in which to outsource operations. You have chosen to operate your business as a _____.

- A) matrix organization
- B) virtual organization
- C) highly centralized organization
- D) highly formalized organization
- E) bureaucracy

Answer: B

Explanation: B) A virtual organization is a small, core organization that outsources major business functions.

Page Ref: 490-491

LO: 4

AACSB: Analytic Skills

Difficulty: Hard

Quest. Category: Application

Learning Outcome: Discuss the factors that influence decisions about organizational structure

49) The major advantage of a virtual organization is its _____.

- A) decentralized structure
- B) ability to enhance role clarity
- C) flexibility
- D) highly departmentalized structure
- E) ability to minimize organizational politics

Answer: C

Explanation: C) The major advantage of the virtual organization is its flexibility. In structural terms, the virtual organization is highly centralized, with little or no departmentalization. Virtual organizations are in a state of perpetual flux and reorganization, which means roles, goals, and responsibilities are unclear. This sets the stage for political behavior.

Page Ref: 492

LO: 4

Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

50) Which of the following statements is true regarding a virtual organization?

- A) A virtual organization is sometimes called matrix organization.
- B) A virtual organization is highly decentralized.
- C) A virtual organization is characterized by a high degree of departmentalization.
- D) A virtual organization tends to have unclear roles, goals, and responsibilities.
- E) A virtual organization lacks flexibility.

Answer: D

Explanation: D) A virtual organization is sometimes called modular organization. In structural terms, the virtual organization is highly centralized, with little or no departmentalization. In a virtual organization, roles, goals, and responsibilities tend to be unclear. The major advantage of the virtual organization is its flexibility.

Page Ref: 492

LO: 4

Difficulty: Moderate

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

51) Which of the following is most likely to be a drawback of a virtual organization?

- A) constant flux and reorganization
- B) increased technology costs and decentralization
- C) lack of flexibility and innovativeness
- D) lack of qualified employees and poor management
- E) poor communication and high degree of formalization

Answer: A

Explanation: A) Virtual organizations' drawbacks have become increasingly clear as their popularity has grown. They are in a state of perpetual flux and reorganization, which means roles, goals, and responsibilities are unclear: This sets the stage for political behavior.

Page Ref: 492

LO: 4

Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

52) Blastkrieg, a chain of audio equipment stores, uses computerized inventory control and customer self- service to eliminate the category of sales clerks from its force of employees. After diversifying into computer electronics, it now plans to employ the same concept in selling desktop PCs and laptops. Which of the following is an assumption made in Blastkrieg's strategy?

- A) All computer electronics stores use a similar strategy.
- B) Sales personnel are not required for selling computer electronics successfully.
- C) The same kind of computers will be used in inventory control for both audio equipment and electronics at Blastkrieg.
- D) A self-service strategy cannot be employed without computerized inventory control.
- E) Sales clerks are the only employees of Blastkrieg who could be assigned tasks related to inventory control.

Answer: B

Explanation: B) Blastkrieg assumes that sales personnel are not required to sell computer electronics and hence plans to employ the computerized inventory and self service. The other options are irrelevant and out of scope. The fact that all computer electronics use a similar strategy has no impact on Blastkrieg's decision. If the self-service strategy cannot be employed without computerized inventory control, it is simply stating a fact not an assumption. The kind of computers used in inventory control in selling audio equipment or electronics is not relevant to the strategy used.

Page Ref: 492

LO: 4

AACSB: Reflective Thinking

Difficulty: Hard

Quest. Category: Critical Thinking

Learning Outcome: Discuss the factors that influence decisions about organizational structure

53) Who coined the term "boundaryless organization?"

- A) Steve Jobs
- B) Jack Welch
- C) Milton Friedman
- D) John Maynard Keynes
- E) Frederick Herzberg

Answer: B

Explanation: B) General Electric's former chairman, Jack Welch, coined the term "boundaryless organization." Welch wanted to eliminate vertical and horizontal boundaries within it and break down external barriers between the company and its customers and suppliers.

Page Ref: 492

LO: 5

Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

54) A boundaryless organization strives to _____.

- A) break down barriers between the company, its customers, and suppliers
- B) reduce bureaucracy costs associated with managing the projects in the organization
- C) outsource projects to a competent third party
- D) create a higher level of formalization in the organization
- E) centralize power within the organization

Answer: A

Explanation: A) The boundaryless organization strives to eliminate vertical and horizontal boundaries within it and break down external barriers between the company and its customers and suppliers. The boundaryless organization seeks to eliminate the chain of command, have limitless spans of control, and replace departments with empowered teams.

Page Ref: 492

LO: 5

Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

55) Odysseus Corp. is attempting to flatten its organizational hierarchy. It is encouraging the use of cross-hierarchical teams, participative decision-making practices, and the use of 360-degree performance appraisals. Based on this information we can say that Odysseus Corp. is attempting to create a _____ organization.

- A) highly centralized
- B) virtual
- C) boundaryless
- D) highly formalized
- E) highly departmentalized

Answer: C

Explanation: C) A boundaryless organization tries to flatten the hierarchy. It encourages usage of cross-hierarchical teams. It encourages participative decision-making practices. It tends to use 360-degree performance appraisals. The boundaryless organization seeks to eliminate the chain of command, have limitless spans of control, and replace departments with empowered teams. In this example Odysseus Corp. is attempting to create a boundaryless organization.

Page Ref: 492-493

LO: 5

AACSB: Analytic Skills

Difficulty: Hard

Quest. Category: Application

Learning Outcome: Discuss the factors that influence decisions about organizational structure

56) A boundaryless organization is most likely to _____.

- A) encourage hierarchical structure
- B) avoid using cross-hierarchical teams
- C) discourage participative decision-making practices
- D) use 360-degree performance appraisals
- E) replace empowered teams with departments

Answer: D

Explanation: D) A boundaryless organization tries to flatten the hierarchy. It encourages usage of cross-hierarchical teams. It encourages participative decision-making practices. It tends to use 360-degree performance appraisals. The boundaryless organization seeks to eliminate the chain of command, have limitless spans of control, and replace departments with empowered teams.

Page Ref: 492-493

LO: 5

Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

You have learned about the traditional and new design options for organizational structures. You have decided that one of the designs developed during the last decade or two is probably the most appropriate for your newly formed organization.

57) You have recently started your business with a small capital investment. Your business needs a very high degree of flexibility so that you can quickly respond to environmental changes and you are also interested in minimizing costs. Which of the following types of organizations is best suitable for your business?

- A) a highly centralized organization
- B) a virtual organization
- C) a formalized organization
- D) a bureaucracy
- E) a hierarchical organization

Answer: B

Explanation: B) The major advantage of the virtual organization is its flexibility, which allows individuals with an innovative idea and little money to successfully compete against larger, more established organizations.

Page Ref: 492

LO: 4

AACSB: Analytic Skills

Difficulty: Hard

Quest. Category: Application

Learning Outcome: Discuss the factors that influence decisions about organizational structure

58) You decide to eliminate horizontal, vertical, and external barriers within your organization. You want to operate as a _____ organization.

- A) matrix
- B) formalized
- C) team structure
- D) boundaryless
- E) centralized

Answer: D

Explanation: D) A boundaryless organization is an organization that seeks to eliminate the chain of command, have limitless spans of control, and replace departments with empowered teams. It eliminates vertical and horizontal boundaries within it and breaks down external barriers between the company and its customers and suppliers.

Page Ref: 493-494

LO: 5

AACSB: Analytic Skills

Difficulty: Hard

Quest. Category: Application

Learning Outcome: Discuss the factors that influence decisions about organizational structure

59) Which of the following is a method that companies can use to break down cultural barriers in the global market?

- A) increase the degree of formalization
- B) use only organic structures
- C) increase the degree of centralization
- D) limit global expansion
- E) form strategic alliances

Answer: E

Explanation: E) The goal of the boundaryless organization is to break down cultural barriers. One way to do so is through strategic alliances. These alliances blur the distinction between one organization and another as employees work on joint projects.

Page Ref: 494

LO: 5

Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

60) _____ is a systematic effort to make an organization leaner by selling off business units, closing locations, or reducing staff.

- A) Removing boundaries
- B) Departmentalizing
- C) Decentralizing
- D) Downsizing
- E) Formalizing

Answer: D

Explanation: D) The goal of the new organizational forms is to improve agility by creating a lean, focused, and flexible organization. Companies may need to cut divisions that aren't adding value.

Downsizing is a systematic effort to make an organization leaner by selling off business units, closing locations, or reducing staff.

Page Ref: 494

LO: 5

Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

61) A(n) _____ model is generally synonymous with the bureaucracy in that it has highly standardized processes for work, high formalization, and more managerial hierarchy.

- A) mechanistic
- B) organic
- C) network
- D) boundaryless
- E) pyramidal

Answer: A

Explanation: A) The mechanistic model is generally synonymous with the bureaucracy in that it has highly standardized processes for work, high formalization, and more managerial hierarchy. It is characterized by extensive departmentalization, high formalization, a limited information network, and centralization.

Page Ref: 496

LO: 6

Difficulty: Moderate

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

62) A(n) _____ model is a structure that is flat, uses cross-hierarchical and cross-functional teams, has low formalization, possesses a comprehensive information network, and relies on participative decision making.

- A) mechanistic
- B) organic
- C) boundaryless
- D) network
- E) pyramidal

Answer: B

Explanation: B) The organic model is flat, has fewer formal procedures for making decisions, has multiple decision makers, and favors flexible practices. It is a structure that is flat, uses cross-hierarchical and cross-functional teams, has low formalization, possesses a comprehensive information network, and relies on participative decision making.

Page Ref: 496

LO: 6

Difficulty: Moderate

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

63) Which of the following is typically a characteristic of an organic model of organization?

- A) narrow spans of control
- B) centralization
- C) free flow of information
- D) high formalization
- E) inflexibility

Answer: C

Explanation: C) The organic model of organization has cross-hierarchical teams, wide spans of control, decentralized management, low formalization and free flow of information. It favors flexible practices.

Page Ref: 496-497

LO: 6

Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

64) Which of the following is typically a characteristic of the mechanistic model of organization?

- A) low formalization
- B) rigid departmentalization
- C) decentralized management
- D) wide spans of control
- E) low specialization

Answer: B

Explanation: B) The mechanistic model of organization has high specialization, rigid departmentalization, narrow spans of control, centralized management, and high formalization.

Page Ref: 497

LO: 6

Difficulty: Moderate

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

65) A(n) _____ strategy emphasizes the introduction of major new products and services.

- A) innovation
- B) cost-minimization
- C) imitation
- D) organic
- E) mechanistic

Answer: A

Explanation: A) An innovation strategy strives to achieve meaningful and unique innovations. Innovation strategy emphasizes the introduction of major new products and services. Organic and mechanistic are types of organizational designs.

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LO: 6

Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

66) Organizations following a(n) _____ strategy try to both minimize risk and maximize opportunity for profit, moving into new products or new markets only after innovators have proven their viability.

- A) innovation
- B) cost-cutting
- C) imitation
- D) organic
- E) mechanistic

Answer: C

Explanation: C) Organizations following an imitation strategy try to both minimize risk and maximize opportunity for profit, introducing new products or entering new markets only after innovators have proven their viability.

Page Ref: 497

LO: 6

Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

67) Which of the following is most likely to be a characteristic of an organization pursuing an innovation strategy?

- A) high formalization
- B) high specialization
- C) decentralized control
- D) rigid departmentalization
- E) narrow span of control

Answer: C

Explanation: C) Organizations pursuing an innovation strategy tend to be organic with a loose structure, low specialization, low formalization, and decentralized control.

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LO: 6

Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

68) Which of the following is most likely to be a characteristic of an organization pursuing a cost-minimization strategy?

- A) lack of tight control
- B) wide span of control
- C) low work specialization
- D) high centralization
- E) low formalization

Answer: D

Explanation: D) An organization pursuing a cost-minimization strategy tightly controls costs, refrains from incurring unnecessary expenses, and cuts prices in selling a basic product. It is characterized by extensive work specialization, high formalization and high centralization.

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LO: 6

Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

69) Which of the following terms refers to the way an organization transfers inputs into outputs?

- A) volatility
- B) formalization
- C) complexity
- D) technology
- E) environment

Answer: D

Explanation: D) Technology describes the way an organization transfers inputs into outputs. Every organization has at least one technology for converting financial, human, and physical resources into products or services.

Page Ref: 498

LO: 6

Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

70) What are the key dimensions to any organization's environment?

- A) conformity, criticality, and diffusivity
- B) complexity, volatility, and capacity
- C) complexity, diffusivity, and criticality
- D) conformity, criticality, and capacity
- E) criticality, volatility, diffusivity

Answer: B

Explanation: B) Any organization's environment has three dimensions: capacity, volatility, and complexity.

Page Ref: 499

LO: 6

Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

71) Which of the following dimensions of an environment describes the degree to which the environment can support growth?

- A) capacity
- B) flexibility
- C) volatility
- D) sustainability
- E) complexity

Answer: A

Explanation: A) Any organization's environment has three dimensions: capacity, volatility, and complexity. Capacity refers to the degree to which the environment can support growth. Volatility describes the degree of instability in the environment. Complexity is the degree of heterogeneity and concentration among environmental elements.

Page Ref: 499

LO: 6

Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

72) Volatility refers to the degree of _____ within an environment.

- A) heterogeneity
- B) instability
- C) flexibility
- D) diffusivity
- E) conformity

Answer: B

Explanation: B) Any organization's environment has three dimensions: capacity, volatility, and complexity. Capacity refers to the degree to which the environment can support growth. Volatility describes the degree of instability in the environment. Complexity is the degree of heterogeneity and concentration among environmental elements.

Page Ref: 499

LO: 6

Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

73) The _____ of an environment refers to the degree of heterogeneity and concentration among environmental elements.

- A) density
- B) simplicity
- C) complexity
- D) intricacy
- E) permeability

Answer: C

Explanation: C) Any organization's environment has three dimensions: capacity, volatility, and complexity. Capacity refers to the degree to which the environment can support growth. Volatility describes the degree of instability in the environment. Complexity is the degree of heterogeneity and concentration among environmental elements.

Page Ref: 499

LO: 6

Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

74) Work specialization contributes to higher employee productivity — but at the price of _____.

- A) reduced economies of scale
- B) increased cost
- C) reduced job satisfaction
- D) restricted flow of information
- E) increased complexity

Answer: C

Explanation: C) Evidence indicates that work specialization contributes to higher employee productivity — but at the price of reduced job satisfaction.

Page Ref: 501

LO: 7

Difficulty: Moderate

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

75) Some individuals want work that makes minimal intellectual demands and provides the security of routine; for them, _____ is a source of job satisfaction.

- A) free flow of information
- B) wide span of control
- C) low formalization
- D) high work specialization
- E) high decentralization

Answer: D

Explanation: D) Some individuals want work that makes minimal intellectual demands and provides the security of routine; for them, high work specialization is a source of job satisfaction. Free flow of information, wide span of control, low formalization, and high decentralization are suitable for complex jobs that need high intellectual capabilities and are performed under uncertain environments.

Page Ref: 501

LO: 7

Difficulty: Moderate

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

76) Harald is opening a manufacturing plant with a mechanistic and centralized structure. Employees from which of the following countries will be least comfortable with this type of a structure?

- A) Greece
- B) Peru
- C) Canada
- D) France
- E) Chile

Answer: C

Explanation: C) Organizations that operate with people from high power-distance cultures, such as Greece, France, and most of Latin America, find that their employees are much more accepting of mechanistic structures than are employees from low power-distance countries. Canada is a low power-distance country.

Page Ref: 502

LO: 7

AACSB: Multicultural and Diversity

Difficulty: Hard

Quest. Category: Application

Learning Outcome: Discuss the factors that influence decisions about organizational structure

77) Work specialization increases the time spent in changing tasks.

Answer: FALSE

Explanation: Due to work specialization, less time is spent in changing tasks, putting away tools and equipment from a prior step, and getting ready for another.

Page Ref: 481

LO: 1

Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

78) The chain of command is an unbroken line of authority that extends from the top of the organization to the lowest echelon and clarifies who reports to whom.

Answer: TRUE

Explanation: The chain of command is an unbroken line of authority that extends from the top of the organization to the lowest echelon and clarifies who reports to whom.

Page Ref: 483

LO: 1

Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

79) Narrow spans of control make vertical communication in the organization more complex.

Answer: TRUE

Explanation: Narrow spans of control add levels of management. This makes vertical communication in the organization more complex.

Page Ref: 485

LO: 1

Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

80) Narrow spans of control increase the speed of decision making.

Answer: FALSE

Explanation: Narrow spans of control increase levels of hierarchy and slow down decision making.

Page Ref: 485

LO: 1

Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

81) In centralized organizations, top managers make all the decisions, and lower-level managers merely carry out their directives.

Answer: TRUE

Explanation: In centralized organizations, top managers make all the decisions, and lower-level managers merely carry out their directives.

Page Ref: 485

LO: 1

Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

82) As compared to a decentralized organization, a centralized organization can act more quickly to solve problems.

Answer: FALSE

Explanation: An organization characterized by centralization is inherently different structurally from one that's decentralized. A decentralized organization can act more quickly to solve problems, more people provide input into decisions, and employees are less likely to feel alienated from those who make decisions that affect their work lives.

Page Ref: 485

LO: 1

Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

83) Departmentalization refers to the degree to which jobs within the organization are standardized.

Answer: FALSE

Explanation: Formalization refers to the degree to which jobs within the organization are standardized. The basis by which jobs are grouped is called departmentalization.

Page Ref: 486

LO: 1

Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

84) The simple structure is characterized by a high degree of departmentalization and narrow span of control.

Answer: FALSE

Explanation: The simple structure has a low degree of departmentalization, wide spans of control, authority centralized in a single person, and little formalization.

Page Ref: 486

LO: 2

Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

85) The simple structure becomes increasingly inadequate as an organization grows.

Answer: TRUE

Explanation: The simple structure becomes increasingly inadequate as an organization grows because its low formalization and high centralization tend to create information overload at the top.

Page Ref: 487

LO: 2

Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

86) The organizational design of a simple structure is highly risky.

Answer: TRUE

Explanation: The simple structure's weakness is that it's risky because everything depends on one person. One illness can literally destroy the organization's information and decision-making center.

Page Ref: 487

LO: 2

Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

87) The strength of a bureaucracy lies in its ability to perform standardized activities in a highly efficient manner.

Answer: TRUE

Explanation: The bureaucracy is characterized by highly routine operating tasks achieved through specialization, very formalized rules and regulations, tasks grouped into functional departments, centralized authority, narrow spans of control, and decision making that follows the chain of command. Its primary strength is its ability to perform standardized activities in a highly efficient manner.

Page Ref: 487

LO: 2

Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

88) A bureaucracy is characterized by decentralized authority and wider spans of control.

Answer: FALSE

Explanation: A bureaucracy is characterized by highly routine operating tasks achieved through specialization, very formalized rules and regulations, tasks grouped into functional departments, centralized authority, narrow spans of control, and decision making that follows the chain of command.

Page Ref: 487

LO: 2

Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

89) The matrix structure breaks the unity-of-command concept.

Answer: TRUE

Explanation: The most obvious structural characteristic of the matrix is that it breaks the unity-of-command concept. Employees in the matrix have two bosses: their functional department managers and their product managers.

Page Ref: 489

LO: 3

Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

90) The matrix structure reduces the possibility of power struggles.

Answer: FALSE

Explanation: The major disadvantages of the matrix lie in the confusion it creates, its propensity to foster power struggles, and the stress it places on individuals. It's not unusual for product managers to fight over getting the best specialists assigned to their products. Bureaucracy reduces the potential for power grabs by defining the rules of the game. When those rules are "up for grabs" in a matrix, power struggles between functional and product managers result.

Page Ref: 490

LO: 3

Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

91) In structural terms, a virtual organization is highly centralized, with little or no departmentalization.

Answer: TRUE

Explanation: Virtual organizations are typically a small, core organization that outsources major business functions. In structural terms, the virtual organization is highly centralized, with little or no departmentalization.

Page Ref: 490

LO: 4

Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

92) A virtual organization lacks flexibility.

Answer: FALSE

Explanation: A virtual organization is a small core organization that outsources major business functions. The major advantage of the virtual organization is its flexibility.

Page Ref: 492

LO: 4

Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

93) A boundaryless organization tries to flatten the hierarchy and minimizes status and rank.

Answer: TRUE

Explanation: A boundaryless organization attempts to eliminate vertical and horizontal boundaries within it and break down external barriers between the company and its customers and suppliers. By removing vertical boundaries, management flattens the hierarchy and minimizes status and rank.

Page Ref: 492

LO: 5

Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

94) The goal of a boundaryless organization is to break down cultural barriers.

Answer: TRUE

Explanation: A boundaryless organization considers geography more of a tactical, logistical issue than a structural one. The goal of a boundaryless organization is to break down cultural barriers.

Page Ref: 493

LO: 5

Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

95) A mechanistic model is similar to a boundaryless organization.

Answer: FALSE

Explanation: A mechanistic model is similar to a bureaucracy whereas an organic model is similar to a boundaryless organization.

Page Ref: 496

LO: 6

Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

96) The more scarce, dynamic, and complex the environment, the more organic a structure should be.

Answer: TRUE

Explanation: Organizations that operate in environments characterized as scarce, dynamic, and complex face the greatest degree of uncertainty because they have high unpredictability, little room for error, and a diverse set of elements in the environment to monitor constantly. The more scarce, dynamic, and complex the environment, the more organic a structure should be.

Page Ref: 500

LO: 6

Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

97) Managers must take individual differences, such as experience, personality, culture, and the work task, into account to maximize employee performance and satisfaction.

Answer: TRUE

Explanation: Managers must take individual differences, such as experience, personality, culture, and the work task, into account to maximize employee performance and satisfaction.

Page Ref: 501

LO: 7

Difficulty: Easy

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

98) Describe the five common ways of departmentalization. Give an example of each.

Answer: The five common ways of departmentalization are as follows:

- a) One of the most popular ways to group activities is by functions performed. A manufacturing manager might organize his or her plant by separating engineering, accounting, manufacturing, personnel, and supply specialists into common departments.
- b) Tasks can also be departmentalized by type of product the organization produces. Proctor & Gamble is organized along these lines. Each major product is placed under the authority of an executive who has complete global responsibility for that product.
- c) Another way to departmentalize is on the basis of geography or territory. The sales function, for instance, may have western, southern, mid-western, and eastern regions. Each of these regions is, in effect, a department organized around geography.
- d) Process departmentalization works for processing customers as well as products. At an Alcoa aluminum tubing plant in upstate New York, production is organized into five departments: casting; press; tubing; finishing; and inspecting, packing, and shipping. Each department specializes in one specific phase in the production of aluminum tubing.
- e) A final category is to use the particular type of customer the organization seeks to reach. Microsoft recently reorganized around four customer markets: consumers, large corporations, software developers, and small businesses.

Page Ref: 482-483

LO: 1

Difficulty: Moderate

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

99) Explain the concept of chain of command.

Answer: The chain of command is an unbroken line of authority that extends from the top of the organization to the lowest echelon and clarifies who reports to whom. We can't discuss the chain of command without also discussing authority and unity of command. Authority refers to the rights inherent in a managerial position to give orders and expect them to be obeyed. To facilitate coordination, each managerial position is given a place in the chain of command, and each manager is given a degree of authority in order to meet his or her responsibilities. The principle of unity of command helps preserve the concept of an unbroken line of authority. It says a person should have one and only one superior to whom he or she is directly responsible. If the unity of command is broken, an employee might have to cope with conflicting demands or priorities from several superiors.

Page Ref: 483-484

LO: 1

Difficulty: Moderate

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

100) Why is span of control important within an organization, and which common organizational design would most likely have the widest span of control? Explain your answer.

Answer: The question of span of control is important because, to a large degree, it determines the number of levels and managers an organization has. It answers the question "How many employees can a manager efficiently and effectively direct?" All things being equal, the wider or larger the span of control, the more efficient the organization.

A simple structure, because of its natural small size, would have a fairly narrow span of control. The bureaucracy is typically characterized by narrow spans of control and decision making that follows the chain of command. A matrix organization, characterized by dual lines of authority that combine functional and product departmentalization, would lend itself to a very wide span of control with managers from the different departments all being in some part responsible for a large number of employees. One of the disadvantages of the matrix lies in the confusion it creates, its propensity to foster power struggles, and the stress it places on individuals, somewhat due to the wide span of control. Without the unity-of-command concept, ambiguity about who reports to whom is significantly increased and often leads to conflict.

Page Ref: 484-487

LO: 1, 2

AACSB: Analytic Skills

Difficulty: Hard

Quest. Category: Synthesis

Learning Outcome: Discuss the factors that influence decisions about organizational structure

101) Compare and contrast centralized and decentralized organizations.

Answer: In centralized organizations, top managers make all the decisions, and lower-level managers merely carry out their directives. In decentralized organizations, decision making is pushed down to the managers closest to the action. An organization characterized by centralization is inherently different structurally from one that is decentralized. A decentralized organization can act more quickly to solve problems, more people provide input into decisions, and employees are less likely to feel alienated from those who make decisions that affect their work lives.

Page Ref: 485

LO: 1

AACSB: Analytic Skills

Difficulty: Moderate

Quest. Category: Synthesis

Learning Outcome: Discuss the factors that influence decisions about organizational structure

102) Formalization is a key element of organizational structure. What is indicated by formalization? Describe the characteristics of a highly formalized organization.

Answer: Formalization refers to the degree to which jobs within an organization are standardized. If a job is highly formalized, the incumbent has a minimum amount of discretion over what, when, and how to do it.

In a highly formalized organization, employees are always expected to handle the same input in exactly the same way, resulting in a consistent and uniform output. There are explicit job descriptions, lots of organizational rules, and clearly defined procedures covering work processes in organizations in which there is high formalization.

Page Ref: 486

LO: 1

Difficulty: Moderate

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

103) Describe the simple structure. Discuss its advantages and disadvantages.

Answer: A simple structure is not elaborate. It has a low degree of departmentalization, wide spans of control, authority centralized in a single person, and little formalization. It is a "flat" organization; it usually has only two or three vertical levels, a loose body of employees, and one individual in whom the decision-making authority is centralized.

The strength of the simple structure lies in its simplicity. It's fast, flexible, and inexpensive to operate, and accountability is clear. One major weakness is that it's difficult to maintain in anything other than small organizations. It becomes increasingly inadequate as an organization grows because its low formalization and high centralization tend to create information overload at the top. As size increases, decision making typically becomes slower and can eventually come to a standstill as the single executive tries to continue making all the decisions. The simple structure's other weakness is that it's risky — everything depends on one person. One illness can literally destroy the organization's information and decision-making center.

Page Ref: 486-487

LO: 2

Difficulty: Moderate

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

104) Describe the various characteristics of bureaucracy.

Answer: A bureaucracy is characterized by highly routine operating tasks achieved through specialization, very formalized rules and regulations, tasks grouped into functional departments, centralized authority, narrow spans of control, and decision making that follows the chain of command. Its primary strength is its ability to perform standardized activities in a highly efficient manner. Putting like specialties together in functional departments results in economies of scale and minimum duplication of personnel and equipment. In a bureaucracy, rules and regulations substitute for managerial discretion. Standardized operations and high formalization allow decision making to be centralized. There is little need for innovative and experienced decision makers below the level of senior executives.

A drawback of bureaucracy is that if cases don't precisely fit the rules, there is no room for modification. The bureaucracy is efficient only as long as employees confront familiar problems with programmed decision rules.

Page Ref: 487-488

LO: 2

Difficulty: Moderate

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

105) Discuss the advantages and disadvantages of a matrix structure.

Answer: The matrix structure combines two forms of departmentalization: functional and product. The most obvious structural characteristic of the matrix is that it breaks the unity-of-command concept. Employees in the matrix have two bosses: their functional department managers and their product managers.

The strength of the matrix is its ability to facilitate coordination when the organization has a number of complex and interdependent activities. Direct and frequent contacts between different specialties in the matrix can let information permeate the organization and more quickly reach the people who need it.

The major disadvantages of the matrix lie in the confusion it creates, its propensity to foster power struggles, and the stress it places on individuals. Without the unity-of-command concept, ambiguity about who reports to whom is significantly increased and often leads to conflict. Reporting to more than one boss introduces role conflict, and unclear expectations introduce role ambiguity.

Page Ref: 488-489

LO: 3

Difficulty: Moderate

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

106) Compare and contrast the three common organizational designs: simple structure, bureaucracy, and matrix structure.

Answer:

a) The simple structure is said to be characterized most by what it is not rather than what it is. The simple structure is not elaborate. It has a low degree of departmentalization, wide spans of control, authority centralized in a single person, and little formalization. The simple structure is a "flat" organization; it usually has only two or three vertical levels, a loose body of employees, and one individual in whom the decision-making authority is centralized.

b) Standardization is the key concept that underlies the bureaucracy. It is characterized by highly routine operating tasks achieved through specialization, very formalized rules and regulations, tasks that are grouped into functional departments, centralized authority, narrow spans of control, and decision making that follows the chain of command.

c) The matrix combines two forms of departmentalization: functional and product. It breaks the unity-of-command concept. Employees in the matrix have two bosses — their functional department managers and their product managers. Therefore, the matrix has a dual chain of command.

Page Ref: 486-489

LO: 2, 3

AACSB: Analytic Skills

Difficulty: Moderate

Quest. Category: Synthesis

Learning Outcome: Discuss the factors that influence decisions about organizational structure

107) What is a virtual organization? What elements of organizational structure are important to create and sustain a successful virtual organization? Explain your answer.

Answer: The virtual organization is sometimes called the network or modular organization. Typically, a small, core organization outsources major business functions. In structural terms, the virtual organization is highly centralized, with little or no departmentalization. Why own when you can rent is the question that captures the essence of the virtual organization.

Work specialization would characterize the different types of contracts that an owner of a virtual organization would need to focus on. Each of the separate jobs needed to produce the product would be specializations that would be contracted out.

A strong leader, or leadership structure in a centralized form, that could recognize, negotiate, contract, and coordinate the activities of all the different contractors would be essential for the success of the virtual organization. The core of the organization is a small group of executives whose job is to oversee directly any activities done inhouse and to coordinate relationships with the other organizations that manufacture, distribute, and perform other crucial functions for the virtual organization.

Page Ref: 480-486, 490-492

LO: 1, 4

AACSB: Analytic Skills

Difficulty: Moderate

Quest. Category: Synthesis

Learning Outcome: Discuss the factors that influence decisions about organizational structure

108) Explain the advantages and disadvantages of a virtual organization.

Answer: Typically, a virtual organization is a small, core organization that outsources its major business functions. The major advantage of the virtual organization is its flexibility, which allows individuals with an innovative idea and little money to successfully compete against larger, more established organizations. Virtual organizations also save a great deal of money by eliminating permanent offices and hierarchical roles. Virtual organizations' drawbacks have become increasingly clear as their popularity has grown. They are in a state of perpetual flux and reorganization, which means roles, goals, and responsibilities are unclear, setting the stage for political behavior. Cultural alignment and shared goals can be lost because of the low degree of interaction among members. Team members who are geographically dispersed and communicate infrequently find it difficult to share information and knowledge, which can limit innovation and slow response time.

Page Ref: 490, 492

LO: 4

Difficulty: Moderate

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

109) Explain the concept of the "boundaryless" organization and how boundaryless organizations are useful in breaking down cultural barriers in a global workplace.

Answer: Jack Welch coined the term "boundaryless organization" to describe his idea of what he wanted GE to become. He wanted to eliminate vertical and horizontal boundaries within GE and break down external barriers between the company and its customers and suppliers. The boundaryless organization seeks to eliminate the chain of command, have limitless spans of control, and replace departments with empowered teams. By removing vertical boundaries, management flattens the hierarchy. Status and rank are minimized.

Today most large U.S. companies see themselves as global corporations and may well do as much business overseas as in the United States. As a result, many companies struggle with the problem of how to incorporate geographic regions into their structure. The boundaryless organization provides one solution because it considers geography more of a tactical, logistical issue than a structural one. In short, the goal of the boundaryless organization is to break down cultural barriers. One way to do so is through strategic alliances. These alliances blur the distinction between one organization and another as employees work on joint projects.

Page Ref: 492-494

LO: 5

AACSB: Multicultural and Diversity

Difficulty: Moderate

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

110) Describe the various ways in which the negative impact of downsizing can be minimized.

Answer: Companies can reduce negative impacts by preparing for the post-downsizing environment in advance, thus alleviating some employee stress and strengthening support for the new strategic direction. Some of the ways in which the negative impact of downsizing can be minimized are:

a) Investment: Companies that downsize to focus on core competencies are more effective when they invest in high-involvement work practices afterward.

b) Communication: When employers make efforts to discuss downsizing with employees early, employees are less worried about the outcomes and feel the company is taking their perspective into account.

c) Participation: Employees worry less if they can participate in the process in some way. In some companies, voluntary early retirement programs or severance packages can help achieve leanness without layoffs.

d) Assistance: Providing severance, extended health care benefits, and job search assistance demonstrates a company does really care about its employees and honors their contributions.

Page Ref: 495

LO: 5

Difficulty: Moderate

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

111) Compare and contrast the three primary organizational strategies: innovation, cost-minimization, and imitation.

Answer: An innovation strategy strives to achieve meaningful and unique innovations. Innovative firms will use competitive pay and benefits to attract top candidates and motivate employees to take risks. Some degree of mechanistic structure can actually benefit innovation. Well-developed communication channels, policies for enhancing long-term commitment, and clear channels of authority all may make it easier for rapid changes to occur smoothly.

An organization pursuing a cost-minimization strategy tightly controls costs, refrains from incurring unnecessary expenses, and cuts prices in selling a basic product. This describes the strategy pursued by Walmart and the makers of generic or store-label grocery products. Cost-minimizing organizations pursue fewer policies meant to develop commitment among their workforce.

Organizations following an imitation strategy try to both minimize risk and maximize opportunity for profit, moving new products or entering new markets only after innovators have proven their viability. Mass-market fashion manufacturers that copy designer styles follow this strategy, as do firms such as Hewlett-Packard and Caterpillar. They follow smaller and more innovative competitors with superior products, but only after competitors have demonstrated the market is there.

Page Ref: 497-498

LO: 6

AACSB: Analytic Skills

Difficulty: Moderate

Quest. Category: Synthesis

Learning Outcome: Discuss the factors that influence decisions about organizational structure

112) What are the three dimensions that characterize the environment of an organization?

Answer: An organization's environment is composed of those institutions or forces that are outside the organization and potentially affect the organization's performance. These typically include suppliers, customers, competitors, government regulatory agencies, public pressure groups, and the like. Any organization's environment has three dimensions: capacity, volatility, and complexity.

- a) Capacity refers to the degree to which the environment can support growth. Rich and growing environments generate excess resources, which can buffer the organization in times of relative scarcity.
- b) Volatility describes the degree of instability in the environment. A dynamic environment with a high degree of unpredictable change makes it difficult for management to make accurate predictions.
- c) Complexity is the degree of heterogeneity and concentration among environmental elements. Simple environments — like in the tobacco industry — are homogeneous and concentrated. Environments characterized by heterogeneity and dispersion — like the broadband industry — are complex and diverse, with numerous competitors.

Page Ref: 499

LO: 6

Difficulty: Moderate

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure

113) What is the difference between a mechanistic model and an organic model of organizational structure?

Answer: A mechanistic model is generally synonymous with the bureaucracy in that it has extensive departmentalization, high formalization, a limited information network (mostly downward communication), and little participation by low-level members in decision making. At the other extreme is an organic model. This model looks a lot like the boundaryless organization. It is flat, uses cross-hierarchical and cross-functional teams, has low formalization, possesses a comprehensive information network and it involves high participation in decision making.

The more scarce, dynamic, and complex the environment, the more organic a structure should be. The more abundant, stable, and simple the environment, the more the mechanistic structure will be preferred.

Page Ref: 496, 497, 500

LO: 6

Difficulty: Moderate

Quest. Category: Concept

Learning Outcome: Discuss the factors that influence decisions about organizational structure