**Chapter 18—Emerging Management Practices**

**TRUE/FALSE**

1. The focus of business process reengineering is on the improvement of specific processes.

ANS: T

2. Accountants have little involvement with BPR initiatives.

ANS: F

3. To increase the probability of success, it is important to involve customers in BPR projects.

ANS: T

4. Firms that are downsizing should engage in other innovative practices to improve efficiency.

ANS: F

5. Downsizing often results in one-time charges against income.

ANS: T

6. Downsizing has no effect on materials and labor inputs used to produce outputs.

ANS: F

7. Diversity among employees leads to increased employee turnover.

ANS: F

8. Management talent is increased in a diverse group of employees.

ANS: T

9. In an ERP system, data is decentralized among an organization’s divisions.

ANS: F

10. The key concept to an ERP system is a central site for all the data of an organization.

ANS: T

11. Data mining employs statistical techniques to uncover answers to issues about business operations.

ANS: T

12. Strategic alliances can result in improved operating efficiencies for multiple organizations.

ANS: T

13. If a strategic alliance is to function effectively, all parties involved must feel that they are being fairly treated.

ANS: T

14. Top management personnel are the key players in open-book management.

ANS: F

15. Open-book management is most effective in decentralized organizations.

ANS: T

16. In an open-book management setting, financial information is often shared with employees who have little knowledge of accounting concepts.

ANS: T

17. One method to improve the effectiveness of open-book management is through game playing.

ANS: T

18. Open-book management systems are usually easy to implement.

ANS: F

19. One of the obstacles to implementing open-book management is reluctance of an organization to release sensitive financial data.

ANS: T

20. In a pollution prevention system, managers produce the pollutant, and then clean it up.

ANS: F

21. In an “end-of-pipe” strategy, managers produce the pollutant, and then clean it up.

ANS: T

**COMPLETION**

1. A method of examining processes to identify and eliminate or reduce functions that add little customer value to products or services is referred to as \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

ANS: business process reengineering

2. Any management action that reduces employment upon restructuring is known as \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

ANS: downsizing

3. Packaged software programs that allow companies to automate and integrate the majority of their business processes, share data, and produce information in a real-time environment are referred to as \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

ANS: enterprise resource planning (ERP) systems

4. An analysis tool employing statistical techniques to answer business-related questions is referred to as \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

ANS: data mining

5. An agreement involving two or more firms with complementary core competencies to jointly contribute to the supply chain is referred to as a(n) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

ANS: strategic alliance

6. A management philosophy that allows all workers access to information necessary to do their jobs effectively is referred to as \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

ANS: open-book management

DIF: 18-6 OBJ: Easy

7. A system that accounts for both environmental costs and the impact of environmental issues is referred to as a(n) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

ANS: environmental management system.

**MULTIPLE CHOICE**

1. The focus of BPR is improving

|  |  |
| --- | --- |
| a. | products. |
| b. | processes. |
| c. | cost reduction. |
| d. | decision making. |

ANS: B

2. BPR is **not** associated with

|  |  |
| --- | --- |
| a. | employee layoffs. |
| b. | outsourcing initiatives. |
| c. | technology acquisition. |
| d. | plant expansion. |

ANS: D

3. BPR stands for

|  |  |
| --- | --- |
| a. | business product reengineering. |
| b. | business purchase reengineering. |
| c. | business process reengineering. |
| d. | business process reduction. |

ANS: C

4. Who is **not** involved in the successful implementation of BPR?

|  |  |
| --- | --- |
| a. | investors |
| b. | customers |
| c. | suppliers |
| d. | top management |

ANS: A

5. Which of the following is **not** a trend promoting the increased use of BPR?

|  |  |
| --- | --- |
| a. | advancement of technology |
| b. | pursuit of increased quality |
| c. | price competition caused by globalization |
| d. | business expansion |

ANS: D

6. Downsizing results in a(n)

|  |  |
| --- | --- |
| a. | reduction in workforce. |
| b. | restructuring of processes. |
| c. | elimination of noncore businesses. |
| d. | all of the above. |

ANS: D

7. An advantage of downsizing is

|  |  |
| --- | --- |
| a. | decreased costs in the long run. |
| b. | layoffs. |
| c. | one-time losses. |
| d. | reduced communication. |

ANS: A

8. Outsourcing and marketing worldwide enable firms to

|  |  |
| --- | --- |
| a. | develop new markets. |
| b. | reduce input costs. |
| c. | manage effects of peaks and valleys in local economies. |
| d. | all of the above. |

ANS: D

9. Diversity applies to differences in

|  |  |
| --- | --- |
| a. | race. |
| b. | religion. |
| c. | culture. |
| d. | all of the above. |

ANS: D

10. ERP stands for

|  |  |
| --- | --- |
| a. | enterprise resource production. |
| b. | enterprise resource purchasing. |
| c. | enterprise resource planning. |
| d. | enterprise resource processing. |

ANS: C

11. ERP systems are

|  |  |
| --- | --- |
| a. | packaged software. |
| b. | methods of examining processes. |
| c. | ways to downsize. |
| d. | ways to expand geographical operations. |

ANS: A

12. ERP systems should help a company

|  |  |
| --- | --- |
| a. | improve quality. |
| b. | improve service. |
| c. | reduce overhead. |
| d. | all of the above. |

ANS: D

13. Data mining is used to

|  |  |
| --- | --- |
| a. | uncover quality problems. |
| b. | study customer retention. |
| c. | identify cost drivers. |
| d. | all of the above. |

ANS: D

14. Data mining

|  |  |
| --- | --- |
| a. | is packaged software. |
| b. | is a method of examining processes. |
| c. | uses statistical techniques to solve problems. |
| d. | is a way to downsize. |

ANS: C

15. A strategic alliance is a

|  |  |
| --- | --- |
| a. | packaged software. |
| b. | way for two companies to jointly contribute to the supply chain. |
| c. | way to downsize. |
| d. | method of examining processes. |

ANS: B

16. Strategic alliances take the form of

|  |  |
| --- | --- |
| a. | joint ventures. |
| b. | technology swaps. |
| c. | licensing. |
| d. | all of the above. |

ANS: D

17. (A) \_\_\_\_\_\_\_\_\_\_ allows a company to accomplish a technology swap.

|  |  |
| --- | --- |
| a. | data mining |
| b. | strategic alliance |
| c. | diversity |
| d. | BPR |

ANS: B

18. \_\_\_\_\_\_\_\_\_\_\_\_\_ is a philosophy of increasing a firm's performance by involving all workers.

|  |  |
| --- | --- |
| a. | Open-book management |
| b. | Data mining |
| c. | Diversity  d.Strategic alliance |

ANS: A

19. Disclosing detailed financial information to all employees is a characteristic of

|  |  |
| --- | --- |
| a. | open-book management. |
| b. | data mining. |
| c. | diversity. |
| d. | strategic alliance. |

ANS: A

20. \_\_\_\_\_\_\_\_\_\_\_\_\_ is a way of teaching accounting concepts to financially unsophisticated employees.

|  |  |
| --- | --- |
| a. | Data mining |
| b. | Open-book management |
| c. | Game playing |
| d. | BPR |

ANS: C

21. To make game playing successful, the employees must be able to

|  |  |
| --- | --- |
| a. | mine data. |
| b. | form strategic alliances. |
| c. | win. |
| d. | use ERP. |

ANS: C

22. For game playing to work, motivation must come from

|  |  |
| --- | --- |
| a. | individual employees. |
| b. | lower management. |
| c. | the board of directors. |
| d. | upper management. |

ANS: D

23. \_\_\_\_\_\_\_\_\_\_\_\_\_ is a characteristic of a company that is best suited for open-book management.

|  |  |
| --- | --- |
| a. | Large size |
| b. | Decentralized management |
| c. | Centralized management |
| d. | Service-oriented |

ANS: B

24. EMS stands for

|  |  |
| --- | --- |
| a. | environmental manufacturing system. |
| b. | employee management system. |
| c. | emergency medical services. |
| d. | environmental management system. |

ANS: D

25. \_\_\_\_\_\_\_\_\_\_\_\_ is (are) a strategy for dealing with environmental effects.

|  |  |
| --- | --- |
| a. | End-of-pipe strategies |
| b. | Process improvements |
| c. | Pollution prevention |
| d. | All of the above |

ANS: D

26. EMS has to do with handling

|  |  |
| --- | --- |
| a. | pollution. |
| b. | manufacturing. |
| c. | scrap. |
| d. | by-products. |

ANS: A

**SHORT ANSWER**

1. Define business process reengineering (BPR).

ANS:

Business process reengineering is a tool to achieve large, quick gains in effectiveness or efficiency through redesigning the execution of specific business functions. It is a method of examining processes to identify and then eliminate, reduce, or replace functions and processes that add little customer value to products or services. BPR is designed to bring radical changes to an organization's operations. BPR is often associated with employee layoffs, outsourcing initiatives, and technology acquisition.

2. Why has BPR usage increased?

ANS:

|  |  |
| --- | --- |
| 1. | The advancement of technology has made possible electronic remittance of accounts payable and the use of robotic equipment to move and assemble components in a manufacturing facility. Advancements in technology have improved efficiencies throughout the supply chain. |
| 2. | The pursuit of increased quality is necessary because global competition allows consumers to purchase products and services from the highest quality providers in the world. BPR is a useful tool for increasing quality because it focuses attention on processes associated with poor quality and indicates ways in which quality can be improved by replacing, changing, or eliminating those processes. |
| 3. | BPR usage is increasing because of the increase in price competition caused by globalization. To successfully compete on the basis of price, firms must identify ways to become more efficient and thus reduce costs. |

3. What is downsizing and how is it accomplished?

ANS:

Downsizing is any management action that reduces employment upon restructuring operations in response to competitive pressures. Events typical of downsizing are reduction of the workforce, restructuring of jobs and processes, and reduction or elimination of noncore businesses.

4. What are the risks and dangers of downsizing?

ANS:

1. Firms can find that layoffs have depleted the in-house talent pool; therefore the ability to

solve problems creatively and generate ideas may have been diminished.

2. Downsizing may reduce trust and morale between employees and management. In turn,

communication between these two groups may decrease.

3. Downsizing can destroy a corporate culture that embraced lifetime employment as a key

factor in attracting new employees. In turn, this can diminish morale and trust.

5. To what does workforce diversity refer?

ANS:

It refers to the fact that companies often find that their employees have very diverse backgrounds such as religion, race, values, work habits, cultures, political ideologies, and education levels.

6. What are enterprise resource planning systems (ERPs)?

ANS:

They are packaged software programs that allow companies to:

(1) automate and integrate the majority of their business processes, (2) share common data and practices across the entire enterprise, and (3) produce and assess information in a real-time environment. ERP software includes brand names such as SAP, R/3, PeopleSoft, and Baan.

7. What is data mining and how is it used?

ANS:

Data mining uses statistical techniques and is useful in uncovering quality problems, studying customer retention, determining which promotions generate the greatest sales impact, and identifying cost drivers.

8. Define a strategic alliance.

ANS:

It is an interorganizational agreement that goes beyond normal customer/supplier arrangements involving two or more firms with complimentary core competencies to jointly contribute to the supply chain.

9. What forms can strategic alliances take?

ANS:

Strategic alliances can take the forms of joint ventures, equity investment, licensing, joint R&D arrangements, technology swaps, and exclusive buyer/seller agreements.

10. What is open-book management?

ANS:

It is a philosophy about increasing a firm's performance by involving all workers and ensuring that all workers have access to operational and financial information necessary to achieve performance improvements.

11. What are the principles of open-book management?

ANS:

|  |  |
| --- | --- |
| 1. | Turn the management of a business into a game that employees can win. |
| 2. | Open the books and share financial and operating information with employees. |
| 3. | Teach the employees to understand the company's financial statements. |
| 4. | Show employees how their work influences financial results. |
| 5. | Link nonfinancial measures to financial results. |
| 6. | Target priority areas and empower employees to make improvements. |
| 7. | Review results together and keep employees accountable. |
| 8. | Post results and celebrate successes. |
| 9. | Distribute bonus awards based on employee contributions to financial outcomes. |
| 10. | Share the ownership of the company with employees (i.e., stock options). |

12. How should employees be motivated so open-book management will succeed?

ANS:

The obvious way for upper management to motivate workers is to link their compensation to increases in profits from the effective use of the financial and operating information provided to them.

13. What are the characteristics of firms best-suited to open-book management?

ANS:

Characteristics of best-suited firms are small size, decentralized management, a history of employee empowerment, and the presence of trust between employees and managers.

14. Define an environmental management system (EMS).

ANS:

EMS is a system that accounts for both environmental costs and the impact of environmental issues in every aspect of operations. Accountants are increasingly concerned with measuring business performance with regard to environmental issues *and* management of environmental cost. In the future, investors are likely to evaluate a company's environmental track record along with its financial record when making financial decisions. Primary environmental issues are energy consumption and pollution.

15. What are the three generic strategies for dealing with environmental effects of operations?

ANS:

|  |  |
| --- | --- |
| 1. | *End-of-pipe strategies.* With this approach, managers produce the waste or pollutant and then find a way to clean it up. |
| 2. | *Process improvements.* This approach involves changes to recycle wastes internally, reduce production of waste, or adopt production processes that generate no waste. |
| 3. | *Pollution prevention.* This approach involves eliminating production of pollutants. |