## Chapter 14 Organizational Structure, Organizations

**True / False Questions**

1.*(p. 393)* Companies with the best chance of prospering through the first part of the 21st century will be those that continue to modify their organizational structures on an ongoing basis.
**TRUE**

2.*(p. 405)* Motivation must accompany competency to create conducive conditions for decentralization.
**TRUE**

3.*(p. 394)* Organization structure is the pattern of jobs and groups of jobs within an organization.
**TRUE**

4.*(p. 394)* All organizations have a structure of jobs.
**TRUE**

5.*(p. 394)* Charts are always used to describe the structure of an organization.
**FALSE**

 *Rationale: Small organization can get along very well without organization charts, as long as every understands what they are to do and with whom they are to do it.*

6.*(p. 395)* Departments combine the effects of many different jobs.
**TRUE**

7.*(p. 395)* Although jobs have many characteristics, the most important one is the degree of specialization.
**TRUE**

8.*(p. 396)* To some degree, all jobs contain the right to make decisions and to exact obedience from others.
**FALSE**

 *Rationale: All jobs contain some degree of the right to make decisions, but not all jobs contain the right to exact obedience from others.*

9.*(p. 396)* The right to make decisions is what distinguishes managerial jobs from non-managerial jobs.
**FALSE**

 *Rationale: The right to exact obedience from others distinguishes managerial jobs from non-managerial jobs.*

10.*(p. 397)* As the number of specialized jobs in an organization increases, there comes a point at which they can no longer be effectively coordinated by a single manager.
**TRUE**

11.*(p. 399)* Multiunit retail store chains are often organized along territorial lines.
**TRUE**

12.*(p. 399)* Geographic departmentalization can provide a training ground for managerial personnel.
**TRUE**

13.*(p. 399)* Product-based divisions often design, produce and market their own products, even in competition with other units of the same firm.
**TRUE**

14.*(p. 399)* Managers of a profit center are often asked to compare actual profit with planned profit.
**TRUE**

15.*(p. 399)* Divisional structures contain no redundancy.
**FALSE**

 *Rationale: Divisional structures contain some degree of redundancy.*

16.*(p. 400)* Customers and clients can never be a basis for grouping jobs.
**FALSE**

 *Rationale: Both customers and clients can be a basis for grouping jobs.*

17.*(p. 400)* Department stores cannot be departmentalized strictly on a customer basis.
**FALSE**

 *Rationale: Department stores can be departmentalized on a customer basis because their products are placed in departments geared toward a particular customer, such as children's clothing.*

18.*(p. 400)* Organizations with customer-based departments are better able to satisfy customer-identified needs than organizations that base departments on noncustomer factors.
**TRUE**

19.*(p. 400)* A matrix organization attempts to maximize the strengths of both the functional and product bases.
**TRUE**

20.*(p. 401)* One drawback of the matrix organization is that it fails to take advantage of highly specialized staff and equipment.
**FALSE**

 *Rationale: Matrix organization facilitates the utilization of highly specialized staff and equipment.*

21.*(p. 401)* The number of potential interpersonal relationships increases as the size of a group increases.
**TRUE**

22.*(p. 402)* A large span of control would preclude contacting subordinates frequently.
**TRUE**

23.*(p. 402)* The greater the inherent ambiguity in an individual's job, the greater the need for supervision in order to avoid conflict and stress.
**TRUE**

24.*(p. 402)* The degree to which employees are specialized is not a factor in establishing the span of control.
**FALSE**

 *Rationale: The degree to which employees are specialized is a critical consideration in establishing the span of control, at all levels of management.*

25.*(p. 403)* The individual who can clearly and concisely communicate with subordinates is able to manage more people than one who can't.
**TRUE**

26.*(p. 403)* Nearly every firm in the global economy has either downsized or has considered the implications of doing so.
**TRUE**

27.*(p. 404)* Delegation of authority refers specifically doing work, not to making decisions.
**FALSE**

 *Rationale: Delegation of authority refers specifically to making decisions.*

28.*(p. 404)* High delegation of authority encourages the development of professional managers.
**TRUE**

29.*(p. 404)* Evaluating and advancing managers on the basis of decision-making performance can eliminate favoritism.
**TRUE**

30.*(p. 404)* The authority to make decisions is not a necessary condition for goal setting.
**FALSE**

 *Rationale: A necessary condition for goal setting is authority to make decisions.*

31.*(p. 405)* Managers must be trained to make the decisions that go with their delegated authority.
**TRUE**

32.*(p. 405)* When lower levels of management have authority, top management must implement some means of reviewing the use of that authority.
**TRUE**

33.*(p. 405)* The benefits of decentralization always outweigh the cost the decentralization.
**FALSE**

 *Rationale: Some organizations find that the cost of decentralization outweigh the benefits.*

34.*(p. 406)* Scientific management popularized specialization of labor.
**TRUE**

35.*(p. 406)* The scalar chain is the route for all horizontal communications in an organization.
**FALSE**

 *Rationale: The scalar chain is the route for all vertical communication in an organization.*

36.*(p. 407)* Organizational design involves domination in the sense that authority involves the legitimate right to exact obedience from others.
**TRUE**

37.*(p. 408)* The mechanistic model emphasizes decentralization.
**FALSE**

 *Rationale: The mechanistic model is highly centralized.*

38.*(p. 408)* One of the more successful practitioners of the bureaucratic model has been United Parcel Service (UPS).
**FALSE**

 *Rationale: United Parcel Service (UPS) is one of the more successful practitioners of the mechanistic model.*

39.*(p. 408)* The organic model of organizational design seeks to maximize efficiency and production.
**FALSE**

 *Rationale: The organic model seeks to maximize satisfaction, flexibility and development; the mechanistic model seeks to maximize efficiency and production.*

40.*(p. 409)* In an organic structure, information flows downward and tends to be distorted, inaccurate and viewed with suspicion by subordinates.
**FALSE**

 *Rationale: This is how information flows in a mechanistic structure.*

41.*(p. 409)* In a mechanistic structure, decision making is relatively centralized and occurs only at the top of the organization.
**TRUE**

42.*(p. 409-410)* Thrivent Financial for Lutherns transformed its organization from a mechanistic to an organic structure in an effort to take advantage of the benefits of the *self-directed team* concept.
**TRUE**

43.*(p. 412)* In the case of a process manufacturer, the job order begins with product development.
**TRUE**

44.*(p. 412)* Because a process manufacturing firm's success depends on adjustment to new scientific knowledge, the mechanistic model is more effective than the organic design.
**FALSE**

 *Rationale: In this case, the organic design would be more effective than the mechanistic design.*

45.*(p. 412)* The mechanistic design is effective for firms that use mass production technology.
**TRUE**

46.*(p. 413)* Highly differentiated organizations tend to use individual adjustment as a means for achieving integration.
**FALSE**

 *Rationale: Highly differentiated organizations tend to use mutual adjustment as a means for achieving integration.*

47.*(p. 414)* Subsystems must be organized in such a way as to allow them to deal effectively with their relevant sub environments.
**TRUE**

48.*(p. 414)* Service organizations whose customers demand homogeneous services and who are not inclined to participate in the delivery of those services can be managed according to mechanistic principles.
**TRUE**

49.*(p. 415)* Mechanistic designs provide mechanisms for integrating the activities of highly differentiated functions.
**FALSE**

 *Rationale: Mechanistic designs provide mechanisms for integrating the activities of relatively undifferentiated functions.*

50.*(p. 415)* The differentiation-integration approach is based on the fundamental viewpoint that organizations must be designed to cope with environmental demands.
**TRUE**

51.*(p. 415)* Mechanistic design proponents believe that integration can be achieved through a hierarchical chain of command that places managers in the position of integrators.
**TRUE**

52.*(p. 416)* As the number of non-routine, consequential events increase, managers are drawn into more and more operating matters.
**TRUE**

53.*(p. 416)* The social dimension of socio-technical systems theory consists of the formal and informal work structure that links people to the technology and to each other.
**TRUE**

**Multiple Choice Questions**

54.*(p. 395)* The organization design process may be \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
A. Explicit or implicit
B. A "one shot" event
C. Done by a single manager
**D.** All of the choices are correct

55.*(p. 395)* The first step in organization design focuses on \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
A. Groups of jobs
B. Departments
**C.** Individual jobs
D. Delegation of authority

56.*(p. 395)* Without predictable \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, the work of many organizations could not be achieved.
A. Markets
**B.** Activities
C. Customers
D. Employees

57.*(p. 397)* The rationale for grouping jobs rests on the necessity for \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ them.
**A.** Coordinating
B. Controlling
C. Overseeing
D. Evaluating

58.*(p. 397)* The \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ basis is often found in relatively small organizations providing a narrow range of products and/or services.
A. Geographic
B. Departmental
**C.** Functional
D. Product

59.*(p. 398)* Manufacturing organizations are typically structured on a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ basis.
A. Geographic
B. Departmental
**C.** Functional
D. Product

60.*(p. 398)* A major disadvantage of the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ basis is that organizational goals may be sacrificed in favor of departmental goals.
A. Geographic
**B.** Departmental
C. Functional
D. Product

61.*(p. 399)* \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ becomes the preferred basis as a firm grows by increasing the number of products it markets.
A. Geographic
B. Departmental
C. Functional
**D.** Product

62.*(p. 399)* Using a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ basis for departments has been a key development in modern capitalism.
A. Geographic
B. Departmental
C. Functional
**D.** Product

63.*(p. 401)* Matrix organizations achieve balance by overlaying a horizontal structure of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ on the vertical structure.
A. Authority
B. Influence
C. Communication
**D.** All of the choices are correct

64.*(p. 401)* Matrix structures are found in organizations that \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
A. Require responses to rapid change in two or more environments
B. Face uncertainties that generate high information processing requirements
C. Must deal with financial and human resources constraints
**D.** All of the choices are correct

65.*(p. 401)* In a matrix organization, personnel report to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
A. No more than two managers
**B.** Two or more managers
C. A single manager
D. No manager; they are self-managed

66.*(p. 401)* Managers potentially contend with all of the following types of interpersonal relationships *except*:
A. Direct single
**B.** Indirect single
C. Direct group
D. Cross

67.*(p. 402)* The critical consideration in determining the manager's span of control is the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
**A.** Frequency and intensity of the relationships within the group
B. Number of tasks to be performed
C. Number of subordinates and superiors
D. Number of potential relationships within the group

68.*(p. 403)* \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ must be communicated verbally to subordinates in most work situations.
A. Instructions
B. Guidelines
C. Policies
**D.** All of the choices are correct

69.*(p. 404)* Significant competition exists only when individuals have the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to do those things that enable them to win.
**A.** Authority
B. Skill
C. Hierarchical position
D. Resources

70.*(p. 404)* A decision to decentralize often follows an experience with \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
A. Downsizing
B. Intense growth
**C.** Centralization
D. Globalization

71.*(p. 406)* Fayol stated that \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is the best means for making use of individuals and groups of individuals.
A. Decentralization
**B.** Specialization
C. Centralization
D. Coordination

72.*(p. 406)* According to the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, jobs should be grouped according to specialty.
A. Principle of specialization
**B.** Principle of unity of direction
C. Principle of authority and responsibility
D. Scalar chain principle

73.*(p. 407)* All of the following are considered a negative consequence of bureaucracy *except*:
A. Excessive red tape
B. Procedural delays
**C.** Highly specialized jobs
D. Frustration

74.*(p. 407)* To achieve the maximum benefits of the bureaucratic design, Weber believed that an organization must have all of the following characteristics *except*:
**A.** All tasks should be divided into highly generalized jobs.
B. Each task should be performed according to a system of abstract rules
C. Each member of the organization should be accountable to only one manager
D. Each member of the organization should relate to other employees and clients in an impersonal, formal way

75.*(p. 407)* Weber felt that promotions in a bureaucratic organization should be based on \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
**A.** Seniority
B. A set timetable
C. Comparable jobs outside the organization
D. Both A and C

76.*(p. 407)* Weber felt that employees in a bureaucratic organization should be protected against \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
**A.** Arbitrary dismissal
B. Discrimination
C. Bad management decisions
D. All of the choices are correct

77.*(p. 408)* Even though the Post Office is subsidized and pays no taxes, UPS has been able to compete successfully by stressing \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
A. Customer service
B. On-time delivery
C. Lower rates
**D.** Efficiency of operations

78.*(p. 408)* The \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ model is flexible to changing environmental demands because its design encourages greater utilization of the human potential.
A. Mechanistic
**B.** Organic
C. Bureaucratic
D. Both A and C

79.*(p. 408)* In a(n) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ model, communication flows throughout the organization, not simply down the chain of command.
A. Mechanistic
**B.** Organic
C. Bureaucratic

80.*(p. 408)* The \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ model is highly formalized because of its emphasis on function as the bases for departments.
A. Organic
B. Bureaucratic
**C.** Mechanistic
D. Contingency

81.*(p. 409)* In a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ structure, control is dispersed throughout the organization.
**A.** Organic
B. Bureaucratic
C. Mechanistic
D. Contingency

82.*(p. 413)* Rules and procedures lose their effectiveness as the environment \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
A. Becomes more stable
**B.** Becomes more unstable
C. Remains unchanged
D. Both A and B

83.*(p. 416)* The more rapid the changes, the less the need within the organization for \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
**A.** Information
B. Communication
C. Management
D. Control

84.*(p. 416)* Organizations in relatively certain and unchanging environments rely on \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to integrate the behavior of subunits.
A. Hierarchical control
B. Rules and procedures
C. Planning
**D.** All of the choices are correct

**Fill in the Blank Questions**

85.*(p. 394)* Four important attributes of all organizations are: division of labor, bases for departmentalization, size of departments and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
**delegation of authority**

86.*(p. 396)* Division of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ concerns the extent to which jobs are specialized.
**labor**

87.*(p. 398)* General Motors attracted considerable attention when it combined traditional product divisions into two functional departments: production and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
**sales**

88.*(p. 401)* \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ refers to the number of individuals who report to a specific manager.
**Span of control**

89.*(p. 410)* The demands of a situation are called \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
**contingencies**

90.*(p. 413)* Lawrence and Lorsch coined three terms that have become widely used in the theory and practice of organizational design: *differentiation*, *integration* and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
**environment**

91.*(p. 413)* The "state of segmentation of the organizational system into subsystems, each of which tends to develop particular attributes in relation to the requirements posed by its relevant external environment" is termed \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
**differentiation**

92.*(p. 413)* \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is the process of achieving unity of effort among the various subsystems in the accomplishment of the organization's task.
**Integration**

**Short Answer Questions**

93.*(p. 396)* What is authority?

Authority is the right to make decisions without approval by a higher manager and to exact obedience from designated other people.

94.*(p. 403)* It is generally accepted that a manager at the lower organizational level can oversee more subordinates. Why?

Because work at the lower level is more specialized and less complicated than at higher levels of management.

95.*(p. 405)* Many managers resist delegating authority to their subordinates. Why?

Because they believe that delegation of authority involves losing control.

96.*(p. 408)* The mechanistic model is highly complex. Why?

It's highly complex because of its emphasis on specialization of labor.

97.*(p. 410)* Why is the contingency approach so complicated?

Because there are so many contingencies to consider.

98.*(p. 414)* List the three primary sub environments that Lawrence and Lorsch identified.

The market sub environment, the technical-economic sub environment and the scientific sub environment.

99.*(p. 416)* List the two most common approaches that organizations take to reduce the demands of information processing.

The two general approaches are (a) reduce the need for information and (b) increase information processing capabilities.

**Essay Questions**

100.*(p. 396-397)* Explain the three ways in which division of labor can occur in an organization.

(a) Work can be divided into different personal specialties. (b) Work can be divided into different activities necessitated by the natural sequence of the work the organization does. (c) Work can be divided along the vertical plane of an organization.

101.*(p. 405-406)* Managers faced with having to decide whether or not to decentralize should ask and answer four questions before making a final decision. What are the questions?

1. How routine and straightforward are the decisions required by the job or the unit?
2. Are the individuals, such as the local manager, competent to make the decision?
3. Are individuals motivated to make the decision?
4. Do the benefits of decentralization outweigh its costs?

102.*(p. 409)* List three characteristics of an organizational design that would provide individuals with a sense of personal worth and motivation and that facilitates satisfaction, flexibility and development.

The organization would have these characteristics:
1. It's relatively simple because of its de-emphasis of specialization and its emphasis on increasing job range.
2. It's relatively decentralized because of its emphasis of delegation of authority and increasing job depth.
3. It's relatively informal because of its emphasis on product and customer as bases for departments.

103.*(p. 417)* A major tenet of the Total Quality Management theory is the "control of variance" concept. Explain what this concept means.

The "control of variance" means that unavoidable variances in the production processes should be controlled as near to the point of the problems as possible.

104.*(p. 417)* Explain what Japanese companies did to enable their industries to grow without supply bottlenecks and damaging competition from domestic firms.

In order to avoid supply bottlenecks and competition from domestic firms, Japanese firms created alliances with other firms through the use of cooperative agreements, consortia and equity ownerships. The resulting network of businesses often consisted of a large financial institution, a large industrial firm and smaller supporting firms that supplied materials, research and design, marketing and shipping.

**Matching Questions**

105.*(p. 409)* Match the situation to the structure that best supports it.

|  |  |  |
| --- | --- | --- |
| 1. Mechanistic structure  |      Leadership includes no perceived confidence or trust.  |   **1**  |
| 2. Organic structure  |      Interaction is open and extensive.  |   **2**  |
| 3. Mechanistic structure  |      Performance goals are low and passively sought by managers.  |   **1**  |
| 4. Organic structure  |      Group participation is sought in setting high, realistic objectives.  |   **2**  |
| 5. Mechanistic structure  |      Unfavorable attitudes toward the organization prevail among employees.  |   **1**  |