

# CHAPTER 2—STRATEGY, ORGANIZATIONAL DESIGN, AND EFFECTIVENESS

## MULTIPLE CHOICE

1. The chief of one police force emphasizes the number of arrests while another police chief emphasizes community outreach. Which effectiveness value is the second police chief most likely using?

a.	human relations
b.	open-systems
c.	rational-goal
d.	internal-process

ANS: B                      PTS: 1                      REF: 73                      BLM: Apply

2. Top managers have a number of roles in the achievement of organizational effectiveness. Which of the following is included in an examination of the internal environment?

a.	opportunities
b.	weaknesses
c.	uncertainty
d.	resource availability

ANS: B                      PTS: 1                      REF: 52-53                      BLM: Understand

3. Top managers have a number of roles in achieving organizational effectiveness. Which of the following is included in an examination of the external environment?

a.	threats
b.	mission
c.	production technology
d.	strengths

ANS: A                      PTS: 1                      REF: 52-53                      BLM: Understand

4. What do the choices top managers make about goals, strategies, and organizational design have a tremendous impact on?

a.	organizational profitability
b.	organizational efficiency
c.	organizational effectiveness
d.	organizational market share

ANS: C                      PTS: 1                      REF: 53                      BLM: Remember

5. What is top management doing when looking for strengths and weaknesses?

a.	assessing the external environment
b.	analyzing the competition
c.	evaluating the internal situation in order to define its distinctive competence
d.	determining the effectiveness of operational outcomes

ANS: C                    PTS: 1                    REF: 52                    BLM: Apply

6.            What is the primary responsibility of top management?

a.	to perform the organization's SWOT analysis
b.	to determine goals, strategy, and design, in adaptation to the environment
c.	to set a motivating culture for all employees
d.	to formalize and centralize the firm

ANS: B                    PTS: 1                    REF: 52                    BLM: Remember

7.            What most commonly occurs when setting goals and selecting a strategy?

a.	The environment is ignored but the organization's strengths and weaknesses are evaluated to determine the appropriate goals and strategy.
b.	Goals are set so high that they can rarely be attained.
c.	New goals and strategies are chosen on the basis of environmental needs and the organization is redesigned accordingly.
d.	Environment and current structure and goals are considered simultaneously.

ANS: C                    PTS: 1                    REF: 53                    BLM: Analyze

8.            Which of the following is another term for mission?

a.	operative goals
b.	decision guidelines
c.	official goals
d.	performance standards

ANS: C                    PTS: 1                    REF: 54                    BLM: Remember

9.            When Google states its official goal is to not be evil, what does this provide them with in the eyes of stakeholders?

a.	measurable objectives
b.	legitimacy
c.	employee direction
d.	decision guidelines

ANS: B                    PTS: 1                    REF: 54                    BLM: Apply

10.          Which of the following represents the best way to measure the overall performance of for-profit organizations?

a.	efficiency
b.	earnings per share
c.	innovation
d.	productivity

ANS: B                    PTS: 1                    REF: 55                    BLM: Remember

11. Mini-Markets wants to capture 25% of the convenience market business in PEI. What type of goal is illustrated by this example?

a.	official
b.	operative
c.	generic
d.	legitimacy

ANS: B                      PTS: 1                      REF: 55                      BLM: Apply

12. Which of the following includes the training, promotion, safety, and individual personal growth?

a.	market share
b.	innovation
c.	productivity of the industry
d.	employee development

ANS: D                      PTS: 1                      REF: 56                      BLM: Remember

13. What kind of carefully balanced goals do successful organizations use?

a.	operative
b.	innovation
c.	visionary
d.	generic

ANS: A                      PTS: 1                      REF: 55                      BLM: Evaluate

14. Which of the following is traditionally defined as the extent to which goals are obtained in the organization?

a.	efficiency
b.	scientific management
c.	strategy
d.	effectiveness

ANS: D                      PTS: 1                      REF: 53                      BLM: Remember

15. Which term refers to a plan for interacting with the competitive environment to achieve organizational goals?

a.	strategy
b.	design
c.	culture
d.	structure

ANS: A                      PTS: 1                      REF: 59                      BLM: Remember

16. Which of the following are models for formulating organizational strategies?

a.	Perrow's typology and Porter's model
b.	Perrow's typology and Pfeiffer's typology
c.	Porter's model and Miles and Snow's typology
d.	Pfeiffer's typology and Miles and Snow's model

ANS: C

PTS: 1

REF: 59-63

BLM: Analyze

17. Which of the following researchers' work refers to the differentiation strategy?

a.	Frederic Taylor's scientific management.
b.	Henri Fayol's Hawthorne Studies.
c.	Michael Porter's competitive strategies.
d.	K. D. Bowerman's "Strategy for Empowerment."

ANS: C

PTS: 1

REF: 59

BLM: Evaluate

18. What kind of strategy can reduce rivalry with competitors and fight off the threat of substitute products because customers are loyal to the company's brand?

a.	low-cost leadership
b.	focused
c.	defensive
d.	differentiation

ANS: D

PTS: 1

REF: 59

BLM: Evaluate

19. Which of the following best explains Porter's differentiation strategy?

a.	Differentiation strategies address whether the market scope is broad or narrow.
b.	Differentiation can be broken down into low-cost or broad-scope categories.
c.	An airline using the differentiation strategy would be likely to offer travellers refreshments at a reasonable price rather than serve free meals.
d.	The statement by Starbucks's international president that "We're not in the business of filling bellies, we're in the business of filling souls" is indicative of a differentiation strategy.

ANS: D

PTS: 1

REF: 59

BLM: Evaluate

20. What kind of strategy is concerned primarily with stability rather than taking risks or seeking new opportunities for innovation and growth?

a.	focused
b.	low-cost leadership
c.	differentiation
d.	intensive

ANS: B

PTS: 1

REF: 60-61

BLM: Evaluate

21. Which of the following strategies is exemplified by the slogan "We're a no-frills business! When we save, you save!"?

a.	low-cost leadership
b.	differentiation
c.	focus
d.	legitimacy

ANS: A

PTS: 1

REF: 60-61

BLM: Apply

22. Which statement best describes the focus strategy?

a.	It is known for its creative flair.
b.	It utilizes strong central authority.
c.	It involves detailed control reports for targeting areas of emphasis.
d.	It concentrates on a specific regional market or buyer group.

ANS: D                      PTS: 1                      REF: 61                      BLM: Evaluate

23. Which of the following best describes the prospector strategy in Miles and Snow's typology?

a.	It attempts to maintain a stable business environment by finding a middle ground between stability and innovation.
b.	It most closely resembles Porter's low-cost leadership strategy.
c.	It responds to environmental threats in an ad hoc fashion without revealing a clear strategy.
d.	It seeks innovation or risk taking and is therefore best suited to the dynamic environment.

ANS: D                      PTS: 1                      REF: 61                      BLM: Evaluate

24. Which of the following notions is Miles and Snow's strategy typology based on?

a.	Strategy should correspond to technology.
b.	Strategy should be congruent with external environment.
c.	Strategy should be based on human resource capability.
d.	Strategy should be a "fit" to the economic resource base.

ANS: B                      PTS: 1                      REF: 61                      BLM: Evaluate

25. What kind of strategy tries to maintain a stable business while innovating on the periphery?

a.	reactor
b.	prospector
c.	analyzer
d.	defender

ANS: C                      PTS: 1                      REF: 62                      BLM: Remember

26. Which strategy type from Miles and Snow's typology best matches with a strong capability in research, a decentralized structure, and an emphasis on flexibility?

a.	reactor
b.	low-cost leadership
c.	prospector
d.	analyzer

ANS: C                      PTS: 1                      REF: 61                      BLM: Evaluate

27. Which of the following need(s) to support a firm's competitive approach?

a.	its financial standings
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b.	its organizational design characteristics
c.	its informal communication channels
d.	its environment for green movement

ANS: B                      PTS: 1                      REF: 63                      BLM: Remember

28.      What does the resource-based approach emphasize?

a.	input into an organization
b.	output of an organization
c.	achievement of profitability
d.	amount of inventory left idle by the organization

ANS: A                      PTS: 1                      REF: 67                      BLM: Remember

29.      Which of the following is a strength of the internal process approach?

a.	It tells management how well the internal processes mesh with the external environment.
b.	It considers human resources and employee-oriented processes.
c.	It emphasizes inputs into the organization.
d.	It emphasizes outputs of the organization.

ANS: B                      PTS: 1                      REF: 69                      BLM: Evaluate

30.      If one is measuring work climate, group loyalty, and worker–management communication as an indication of effectiveness, what approach is most likely being used?

a.	internal process
b.	strategic human resources
c.	quality control
d.	stakeholder approach

ANS: A                      PTS: 1                      REF: 69                      BLM: Apply

31.      Which of the following is a contingency approach to the measurement of organizational effectiveness?

a.	whether the organization’s internal activities and processes are efficient
b.	the system resource approach, which examines product and service outputs
c.	stakeholders’ views on effectiveness
d.	which competing values are applicable

ANS: A                      PTS: 1                      REF: 67                      BLM: Evaluate

32.      What kind of approach to organizational effectiveness is concerned with the output side and whether the organization achieves effectiveness in terms of desired levels of output?

a.	goal
b.	resource-based
c.	analytical
d.	internal process

ANS: A                      PTS: 1                      REF: 70                      BLM: Evaluate

33. When using the goal approach to effectiveness evaluation, what kind of goals is it best to use?

a.	operational
b.	official
c.	low-level
d.	nonmeasurable

ANS: A                      PTS: 1                      REF: 70                      BLM: Remember

34. Which of the following best describes the goal approach to measuring effectiveness?

a.	Full assessment of effectiveness should consider several goals simultaneously because high achievement on one goal may mean low achievement on another.
b.	Priority setting requires that only one goal at a time can be achieved.
c.	Examine the beginning of a process and evaluate if the organization effectively gains its needed resources.
d.	Assess the organization's activities and assess effectiveness based on efficiencies.

ANS: A                      PTS: 1                      REF: 70                      BLM: Evaluate

35. Which competing-values approach provides management with structural control and an external focus?

a.	open-systems emphasis
b.	rational-goal emphasis
c.	internal-process emphasis
d.	human relations emphasis

ANS: B                      PTS: 1                      REF: 73                      BLM: Evaluate

36. Which two dimensions (i.e., axes) are the competing-values approach to effectiveness based on?

a.	open/closed system and values/beliefs of managers
b.	internal/external focus and flexible/structured control
c.	high/low analyzability and high/low variety
d.	environmental change and environmental complexity

ANS: B                      PTS: 1                      REF: 73                      BLM: Evaluate

37. The Stevens Corporation has goals that reflect deeply rooted values of growth and resource acquisition. In the competing-values approach to effectiveness evaluation, primarily which quadrant would the company be considered to be in?

a.	rational-goal emphasis
b.	internal-process emphasis
c.	open-systems emphasis
d.	human relations emphasis

ANS: C                      PTS: 1                      REF: 73                      BLM: Apply

38. Which of the competing-values approaches to effectiveness evaluation would

be used by a firm whose goals revolve around employee training, empowerment and autonomy?

a.	human relations emphasis
b.	rational-goal emphasis
c.	open-systems emphasis
d.	internal-process emphasis

ANS: A

PTS: 1

REF: 73

BLM: Evaluate

39. Which of the following best describes the big questions that strategy researchers are looking at today?

a.	Which organizational types are best suited for different organizational strategies?
b.	What are the effects of different organizational strategies on sociopolitical institutions?
c.	How do organizations change and function in our society and around the world?
d.	Why do particular industries follow particular strategies?

ANS: C                      PTS: 1                      REF: 75                      BLM: Evaluate

### TRUE/FALSE

1. The primary responsibility of top management is to determine an organization's goals, strategy, and design, therein adapting the organization to a changing environment.

ANS: T                      PTS: 1                      REF: 52

2. Before the mission is defined and goals are set, top management should assess the organization's strengths, weaknesses, opportunities, and threats as well as its own.

ANS: T                      PTS: 1                      REF: 52-53

3. Organizational mission and operational goals are the same thing.

ANS: F                      PTS: 1                      REF: 54

4. Official goals address issues pertaining to corporate legitimacy.

ANS: T                      PTS: 1                      REF: 54

5. Experienced managers are likely interpret the environment similarly and therefore end up with similar strategic goals, thus causing a cooperative situation to occur.

ANS: F                      PTS: 1                      REF: 54

6. Operative goals refer to the formally stated definition of business scope and outcomes the organization is trying to achieve.

ANS: F                      PTS: 1                      REF: 55

7. Growth and output volume are examples of overall performance goals.

ANS: T                      PTS: 1                      REF: 55

8. A productivity goal could be stated in terms of "cost for a unit of production," "units produced per employee," or "resource cost per employee."

ANS: T                      PTS: 1                      REF: 57

9. A market goal would typically be stated in terms of net income, earnings per share, or return on investment.

ANS: F                    PTS: 1                    REF: 56

10. Innovation and change goals are decreasingly important, even though they initially cause a large increase in profits.

ANS: F                    PTS: 1                    REF: 56

11. Official goals represent the reason for an organization's existence and the outcomes it seeks to achieve.

ANS: T                    PTS: 1                    REF: 54

12. Goals and strategies are usually fixed and remain unchanged once top management agrees upon them.

ANS: F                    PTS: 1                    REF: 58

13. A strategy is a plan for achievement of organizational goals.

ANS: T                    PTS: 1                    REF: 59

14. Differentiation is the strategy that is specifically designed for organizations to innovate, take risks, and grow.

ANS: F                    PTS: 1                    REF: 59

15. Organizations using the differentiation strategy try to distinguish their products or services from others in the industry.

ANS: T                    PTS: 1                    REF: 59

16. The low-cost leadership strategy is known for requiring skills based on strong marketing ability, creative flair, strong capability in basic research, and corporate reputation for technological leadership.

ANS: F                    PTS: 1                    REF: 60-61

17. A differentiation strategy calls for a learning approach, whereas a low-cost strategy should be paired with an efficiency approach.

ANS: T                    PTS: 1                    REF: 59-61

18. A defender strategy is concerned with internal efficiency and control to produce reliable, high-quality products for steady customers.

ANS: T                    PTS: 1                    REF: 61-62

19. The reactor strategy is a strategy because it responds to environmental threats and opportunities in a strategic fashion.

ANS: F                    PTS: 1                    REF: 62

20. If an organization has well-developed goals for profitability, that is all it needs to determine its effectiveness.

ANS: F                      PTS: 1                      REF: 66-67

21. One would expect the effectiveness criteria of a football team to be affected by goal measurability.

ANS: T                      PTS: 1                      REF: 66

22. The internal process approach to effectiveness utilizes both cultural and economic measures.

ANS: T                      PTS: 1                      REF: 68-70

23. The competing values approach to effectiveness demonstrates that only one managerial value (or effectiveness criterion) can be used, and managers must decide which of the four competing values they will follow.

ANS: F                      PTS: 1                      REF: 71-72

24. The rational goal emphasis incorporates the values of an internal focus and a flexible structure, whereas the internal process emphasis reflects the values of internal focus and structural control.

ANS: F                      PTS: 1                      REF: 70

## **ESSAY**

1. You are talking at a social event with a top manager of another company about her company's effectiveness. She says flippantly, "Effectiveness is not an issue for me, because effectiveness is however I define it." Evaluate her claim.

ANS:

Her claim has some merit. Managers define the goals of the organization and they define the extent to which the organization is performing well. These factors are not fixed or given from the environment. One of the important roles of management is to define goals and effectiveness, and these factors are then taken into account by other people at lower levels within the organization. However, it is arguable that society's view is paramount, and the organization should do what is best for the larger culture. This point of view reflects a constituency criterion, and can also be accepted as legitimate. Many managers working within organizations, however, would not accept this approach to effectiveness as superior to their own definition.

PTS: 1                      REF: 52-53

2. Contrast official goals and operative goals, and provide an example that illustrates each.

ANS:

Official goals, known also as the mission, are those that state the organization's purpose. Operative goals describe actual specific measurable outcomes. The mission of the London Police Service is an example of an official goal, and a goal such as "The guns and drugs task force will arrest 25% more suspects in 2009 than in 2008" is an example of an operative goal.

PTS: 1 REF: 54-55

3. What is the difference between a goal and a strategy? Give an example that illustrates each.

ANS:

A strategy is a plan for an organization to compete in its chosen environment to achieve its goals. Strategies define how an organization will accomplish its goals, i.e., where the organization wants to go. A goal for a nonprofit organization might be to increase its income sources by 15% and the strategy to achieve that goal might include applying to many foundations, creating partnerships with for-profit organizations, starting a social enterprise, and so on.

PTS: 1 REF: 59

4. Apply Porter's model for formulating strategies to the following situation: Quebecor Printing is a commercial printing company that is expanding, acquiring ailing printing companies, and moving into international markets. It has completed more than 100 mergers and buyouts since 1972, and has focused on customized service by using "selective binding" to print, e.g., two dozen versions of *Reader's Digest* for different urban and regional markets.

ANS:

Quebecor Printing seems to be following Porter's focused differentiation strategy as it is targeting specific regional markets. It could continue to buy more ailing companies in Canada and use the same targeted approach for acquiring and managing its international companies.

PTS: 1 REF: 59-61

5. List and describe Porter's competitive strategies.

ANS:

There are three strategies in Porter's typology; they are determined by looking at competitive scope and competitive advantage: (1) organizations using the low-cost leadership strategy try to increase market share by low cost relative to competitors; (2) organizations using the differentiation strategy try to distinguish their products/services from their competitors'; (3) and organizations using the focus strategy concentrate on a specific regional market or buyer group. Some organizations will have a focused low-cost leadership strategy and others will use a focused differentiation strategy.

PTS: 1 REF: 59-61

6. What is the difference between a differentiation strategy and a focus strategy?

ANS:

A differentiation strategy involves distinguishing the organization from its competitors, while a focus strategy involves the range of markets or groups the organization is targeting.

PTS: 1

REF: 59-61

7. Based on the following description, put the strategy of Granite Rock Company into a theoretical context and explain its approach in “textbook terms.” We know that Granite Rock tracks its actual operations in at least 40 measurable ways, each plotted and posted on graphs and charts at every plant. The company surveys customers to rate itself and competitors, and aims to outperform the group average by 33%. When Granite Rock doesn’t achieve its goal, management charts the daily operations, and are assured that their employees will see a negative and want to do something about it.

ANS:

Granite Rock Company appears to be following a differentiation strategy and is using goal approach for assessing its effectiveness.

PTS: 1

REF: 59| 70

8. You have just been hired by a large organization to serve as a first-line supervisor, but because you are in an influential department, you have the opportunity to meet the top managers at a company party and to speak with the CEO about his or her responsibilities. Knowing the responsibilities and types of decisions made by top management as we studied them in organizational theory, what would you discuss about the organization with the CEO?

ANS:

You would discuss with the CEO how he or she sets the organization’s strategy and how he or she evaluates the organization’s effectiveness.

PTS: 1

REF: 66

9. What is the specific overlap between effectiveness and efficiency?

ANS:

Effectiveness, while a broad concept, must consider a range of variables at both the organizational and departmental levels. Efficiency looks at the use of organizational inputs or resources to produce output. The overlap lies in the organizational and departmental use of the resources.

PTS: 1

REF: 66

10. Define and describe each of the contingency effectiveness approaches.

ANS:

There are three approaches: (1) the goal approach is concerned with the output side and whether the organization achieves its goals in terms of desired levels of output; (2) the resource approach looks at the input side of the transformation process; and (3) the internal process approach measures effectiveness by the internal health and efficiency of the organization.

PTS: 1 REF: 68-70

11. When would you recommend that the resource-based approach be used to gauge organizational effectiveness?

ANS:

The resource-based approach to gauge effectiveness is useful when other indicators of performance are hard to get. Nonprofit organizations would use it, because they may find it difficult to measure output goals and internal efficiency.

PTS: 1 REF: 68

12. Describe the internal-process effectiveness measure of economic efficiency.

ANS:

The measure looks at the extent to which an organization's internal processes run well, particularly employee-oriented processes.

PTS: 1 REF: 69

13. What does a competing-values approach have to do with organizational effectiveness?

ANS:

The competing-values approach tries to balance and to integrate the different contingency approaches into one framework.

PTS: 1 REF: 72

14. The new general manager of a (Broadway-style) theatre in Toronto wants to assess the theatre's effectiveness as an organization. Although the theatre has grown because of its stylish productions, management from a business perspective has been relatively absent. Based on our study in organizational theory, how should this assessment of effectiveness be approached?

ANS:

It would be useful to map the theatre's values on the four quadrants of the Quinn and Rohrbaugh effectiveness values. That way, the theatre could see where it needs to develop both a better understanding of, and metrics for, its performance.

PTS: 1 REF: 73

15. Assume that a non-profit organization is very successful at obtaining grants to support its activities. However, employees believe that a hostile work environment exists. You have heard that recipients of the organization's services run the range of satisfaction with services provided. If you came in as an outside evaluator to this situation, describe and defend the method would you use for assessing effectiveness.

ANS:

I would use the Quinn and Rohrbaugh effectiveness values matrix and collect data to map the organization on the four quadrants. Then I would see if the organization needs to shift its effectiveness criteria so that it will realize that it must look not only at output measures but also at its human relations.

PTS: 1

REF: 73

16. Some people believe that athletics is overemphasized in universities; others believe that it is underemphasized. How would you go about measuring the effectiveness of a university relative to its athletics program?

ANS:

I would look at internal and external variables such as (1) the sport and academic performance of the athletes, (2) the calibre of the athletes who apply to the university, (3) the amount of monies donated to the university for research in sport, (4) the response of the university's alumni to athletic events, and (5) the future careers of the athletes. I would also weight their importance. In a research-intensive university, criterion (3) would be weighted as the most important.

PTS: 1

REF: 72

17. In an introductory management course, the professor was quoted as saying that "organizational effectiveness is simply the degree to which the organization achieves its pre-set goals." Is he correct?

ANS:

No, because organizational effectiveness is a complicated multidimensional concept.

PTS: 1

REF: 73

18. Some organizations do not formally set goals. How should their effectiveness be measured?

ANS:

A resource-based approach could be used. The organization's bargaining position, its ability to perceive accurately the external environment, its use of resources, and its adaptability to changes in the environment might be assessed.

PTS: 1

REF: 68