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Fundamentals of Management, 10e **(Robbins)**
Chapter 2 The Management Environment

1) What did the effect of a volcanic eruption in Iceland have on the production of Nissans in a plant in Japan illustrate?
A) how much organizations depend on their banks
B) how much organizations depend on their external environment
C) how much organizations depend on corporate culture
D) how much organizations depend on a strong brand image
Answer: B
Explanation: The eruption showed that a disruption in the external environment in one place in the world can affect other places thousands of miles away. The ash from Iceland′s volcano prevented critical supplies from being shipped to Japan. This showed how truly global today′s business world can be.
Diff: 2
AACSB: Diverse and multicultural work environments
LO: 2.1: Explain what the external environment is and why it's important.

2) Which components of the external environment of the BMW plant in Spartanburg, South Carolina were disrupted by the volcanic eruption in Eyjafjallajökull, Iceland?
A) the demographic and global components
B) the political and legal components
C) the economic and global components
D) the sociocultural and demographic components
Answer: C
Explanation: The disruption illustrated the importance of the external environment in terms of economics, since ash from the eruption stalled the delivery of automobile parts, and the global component, since it was an event on one side of the globe that affected events on another side of the globe.
Diff: 2
AACSB: Diverse and multicultural work environments
LO: 2.1: Explain what the external environment is and why it's important.

3) Which of the following is not involved with the demographic component of an organization's external environment?
A) values
B) gender
C) race
D) income
Answer: A
Explanation: The demographic component of an organization's external environment involves issues that relate to broad population characteristics such as age, income, number of people in a family, education level, and so on. Values are not measurable on this broad level, so they are not considered a demographic trait.
Diff: 2
AACSB: Diverse and multicultural work environments
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4) This component of an organization's external environment is concerned with scientific and industrial innovations.
A) Demographic
B) Technological
C) Sociocultural
D) Economic
Answer: B
Explanation: The technological component is concerned with scientific or industrial innovations.
Diff: 1
LO: 2.1: Explain what the external environment is and why it's important.

5) This component of an organization's external environment is concerned with interest rates and employment levels.
A) Demographic
B) Technological
C) Sociocultural
D) Economic
Answer: D
Explanation: The economic component encompasses factors such as interest rates, inflation, employment/unemployment rates, disposable income levels, stock market fluctuations, and business cycle stages.
Diff: 1
LO: 2.1: Explain what the external environment is and why it's important.

6) Court rulings allowing gay marriage is an example of a change in which components of an organization's external environment?
A) political/legal and technological
B) economic and demographic
C) sociocultural and global
D) sociocultural and political/legal
Answer: D
Explanation: Changes allowing gay marriage have a sociocultural impact on an organization, indicating how the public feels about values, behavior, and lifestyles. It also has a political/legal impact since the change was brought about by a court ruling.
Diff: 2
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7) Global trade after the recent economic downturn has _____.
A) increased dramatically
B) decreased dramatically
C) increased, then decreased significantly
D) remained slow
Answer: D
Explanation: Global trade, which grew strongly from the late 1970s through 2008, collapsed during the last global recession and has continued to be sluggish.
Diff: 1
LO: 2.1: Explain what the external environment is and why it's important.

8) The majority of growth in the U.S. employment recently has been in this area.
A) Low paying jobs
B) High paying jobs
C) Technology jobs
D) Full-time jobs
Answer: A
Explanation: Total U.S. employment is up. The 5.5 percent unemployment rate was the lowest level in over seven years. However, the downside is that the strongest employment growth has been in *low-wage* jobs.
Diff: 1
LO: 2.1: Explain what the external environment is and why it's important.

9) Which of the following has been identified as a significant risk to business leaders in the next decade?
A) stagnation in technology
B) income disparity
C) declining birth rates
D) political instability
Answer: B
Explanation: The World Economic Forum identified two significant risks facing business leaders and policy makers over the next decade: severe income disparity and chronic fiscal imbalances.
Diff: 2
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10) According to polls, which percent of adults believe that economic inequality is not a problem at all?
A) 90
B) 50
C) 30
D) 10
Answer: D
Explanation: A Harris Interactive Poll found that only 10 percent of adults think that economic inequality is "not a problem at all."
Diff: 2
LO: 2.1: Explain what the external environment is and why it's important.

11) In the United States the gap between the rich and poor is _____.
A) decreasing
B) accepted
C) hidden
D) increasingly tolerated
Answer: B
Explanation: In the United States, the gap between the rich and the poor has been much wider than in other developed nations for decades and was accepted as part of our country's values and way of doing things.
Diff: 2
LO: 2.1: Explain what the external environment is and why it's important.

12) The use of peer-to-peer services such as Uber is an example of this type of economy.
A) Capitalistic
B) Socialistic
C) Sharing
D) Unplanned
Answer: C
Explanation: In a the **sharing economy** asset owners share with other individuals through a peer-to-peer service, for a fee, their underutilized physical assets (such as a home, car, clothing, tools, or other physical assets).
Diff: 2
LO: 2.1: Explain what the external environment is and why it's important.

13) Which of the following assets can be used as part of a sharing economy?
A) Cars
B) Homes
C) Skills
D) All of the above
Answer: D
Explanation: In a **sharing economy** underutilized physical assets (such as a home, car, clothing, tools, or other physical assets) are put to good use. Some analysts have included the sharing of knowledge, expertise, skills, or time, as well.
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14) Which of the following views of management would agree with the statement that managers should not be held accountable for changing global economic conditions?
A) the geocentric view
B) the new-world order view
C) the demographic view
D) the symbolic view
Answer: D
Explanation: The symbolic view of management contends that a manager's ability to affect the organization's outcomes is constrained by external factors such as the economy.
Diff: 2
LO: 2.1: Explain what the external environment is and why it's important.

15) Which view of management describes a situation in which managers are directly responsible for a company's success or failure?
A) the structural view of management
B) the symbolic view of management
C) the omnipotent view of management
D) the realistic view of management
Answer: C
Explanation: The symbolic view of management holds that external factors, not managerial decisions, determine success or failure. The omnipotent view holds the opposite position, that good managers, making good decisions, can decide a company's fate.
Diff: 2
LO: 2.1: Explain what the external environment is and why it's important.

16) Which kind of company would be less likely to fire its CEO after a poor performance?
A) a company with a symbolic view of management
B) a company with a realistic view of management
C) a company with an external view of management
D) a company with an omnipotent view of management
Answer: A
Explanation: A company with an omnipotent view of management would tend to hold its leaders responsible for failure and would therefore be more likely to fire its leaders after a poor performance. A company with a symbolic view of management would tend to see the leader's role as less consequential to success or failure, and therefore there would be no reason to fire the CEO if he or she otherwise was doing a good job.
Diff: 2
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17) Which kind of company would you expect to pay its CEO the most?
A) a company with a symbolic view of management
B) a company with a liberal view of management
C) a company with a semipotent view of management
D) a company with an omnipotent view of management
Answer: D
Explanation: Having an omnipotent view of management means that the company places maximum value on the decisions that its CEO makes. Therefore, all other things being equal, the CEO for a company with an omnipotent view has the most riding on his or her decisions so he or she deserves the greatest compensation. Of course, in the real world this view may or may not hold true.
Diff: 2
LO: 2.1: Explain what the external environment is and why it's important.

18) _____ is the study of population characteristics.
A) Sociology
B) Demographics
C) Sociographics
D) Anthropology
Answer: B
Explanation: **Demographics**–the characteristics of a population used for purposes of social studies–can and do have a significant impact on how managers manage. Those population characteristics include things such as age, income, sex, race, education level, ethnic makeup, employment status, geographic location, and so forth–pretty much the types of information collected on governmental census surveys.
Diff: 1
LO: 2.1: Explain what the external environment is and why it's important.

19) Experts predict that these two countries will be larger than the developed countries of the world by year 2050.
A) Mexico and China
B) India and China
C) China and South Africa
D) India and Mexico
Answer: B
Explanation: According to the text, experts say that by 2050, "emerging economies led by India and China will collectively be larger than the developed economies."
Diff: 2
LO: 2.1: Explain what the external environment is and why it's important.

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20) What will cause countries such as Denmark to shrink with respect to the size of their economy, relative to other nations?
A) no social safety net
B) welfare payments
C) high birth rate
D) low birth rate
Answer: D
Explanation: Shrinking populations augur a smaller share of the world's economic pie in developed European nations such as Denmark, Norway, and Belgium. Social safety nets and welfare payments have little to do with the size of the economies of these nations, which, incidentally, are quite healthy despite the low growth rate of their populations.
Diff: 2
LO: 2.1: Explain what the external environment is and why it's important.

21) Which of the following identifies the best illustration of the phrase "demographics is destiny"?
A) India is experiencing explosive growth partly because its population is growing rapidly.
B) India is experiencing poverty because its population is growing rapidly.
C) The United States is experiencing slow growth partly because its population is growing rapidly.
D) The United States is experiencing healthy growth partly because its population is not growing and people are saving their resources.
Answer: A
Explanation: Nations that have expanding populations tend to grow quickly because young people are working and have needs. That is the situation in India and China today. Even though those nations have great problems, their burgeoning populations are spurring economic expansion and growth. Nations in which population is not increasing tend to grow through increases in productivity rather than general expansion.
Diff: 2
AACSB: Diverse and multicultural work environments
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22) Which of the following provides the best illustration of technology transforming how managers manage in the workplace?
A) Managers oversee very large design teams.
B) Managers must supervise design teams more closely.
C) Managers oversee very large clerical and secretarial staffs.
D) Managers oversee very small clerical and secretarial staffs.
Answer: D
Explanation: Where managers once needed to manage extremely large clerical and secretarial staffs, many clerical jobs have now been replaced due to technological innovations. For example, much of the typing and record-keeping that was once done by several workers is now done by a single worker using a sophisticated computer program. Things such as design teams have decreased rather than increased in size because a single person can now accomplish the work of many designers using modern computer design programs. At the same time, design teams require much less, not much more, supervision in today's business climate.
Diff: 3
AACSB: Information technology
LO: 2.1: Explain what the external environment is and why it's important.

23) Which demographic do managers pay closest attention to with respect to large-scale trends in the business world?
A) age
B) sex
C) employment status
D) geographic location
Answer: A
Explanation: Because enormous cohorts of people form various generational groups that all go through the same life cycle changes at roughly the same time, age is the demographic that managers pay closest attention to. For example, a company that sells premium cooking pots may pay close attention to the size of the generation that is currently of marriage age. If large numbers of people are likely to marry in the next five years, they are likely to purchase large numbers of cooking pots. Similarly, if there is likely to be a marriage "bust" rather than a boom, cook pot sales are likely to decrease.
Diff: 2
AACSB: Diverse and multicultural work environments
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24) How are the "Post-Millennials" likely to be different from previous generations?
A) They require products that are completely customized to the individual.
B) They require products that are completely generic and not at all customized to the individual.
C) They require products that are serious and meaningful rather than frivolous and fun.
D) They require products that are of much higher quality than those required by individuals in previous generations.
Answer: A
Explanation: The Post-Millennials have grown up with sophisticated technology. Rather than purchase music albums, for example, this cohort grew up with customizeable iPods and other devices that allowed them to individualize their experience. Similarly, this group tends to watch TV not in the living room when it is being broadcast, but as an individual event that they experience when they want to see it on their computers.
Diff: 2
AACSB: Diverse and multicultural work environments
LO: 2.1: Explain what the external environment is and why it's important.

25) Which popular name has been assigned to those individuals born between 1946—1964?
A) Generation Y
B) Millennials
C) Generation X
D) Baby Boomers
Answer: D
Explanation: *Baby Boomers* are those individuals born between 1946 and 1964. *Gen X* is used to describe those individuals born between 1965 and 1977. *Gen Y* (or the "Millennials") is an age group typically considered to encompass those individuals born between 1978 and 1994.
Diff: 2
LO: 2.1: Explain what the external environment is and why it's important.

26) Which generation is predicted to be the most diverse and multicultural of any generation in the United States?
A) Baby Boomers
B) Generation X
C) Generation Y
D) Generation Z
Answer: D
Explanation: Gen Z is huge; those under age 20 represent 25.9 percent of the U.S. population. One thing that characterizes Gen Z is that it is the most diverse and multicultural of any generation in the United States.
Diff: 2
LO: 2.1: Explain what the external environment is and why it's important.

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Linden State University (Scenario)

Marta is a dean at Linden State University, a school with an enrollment of almost 20,000 students. In her daily activities, Marta has to deal with problems that involve students, faculty, curriculum, budgets, and a variety of other things.

27) Marta sees an opportunity for her school in increasing the enrollment in individuals who were born in the 1980s and early 1990s. Which term describes these prospective students?
A) Baby Boomers
B) Gen Yers
C) Gen Xers
D) Gen Zers
Answer: B
Explanation: The Baby Boomers are defined as those people who were born in the decades that immediately followed World War II. The group that followed the Baby Boomers has been termed *Generation X*. Those that followed Gen X, including current people of college age, are identified as Gen Yers, the correct response. So far, no group has been identified as Gen Z, so that response is incorrect.
Diff: 2
AACSB: Diverse and multicultural work environments
LO: 2.1: Explain what the external environment is and why it's important.

28) Marta is currently focusing her efforts on fundraising. She sees this generation as the cohort on which to focus most of her attention.
A) Gen Y, because it is the wealthiest generation
B) the Baby Boomers, because they are the most ethical generation
C) the Baby Boomers, because they are the largest and wealthiest generation
D) the Post-Millennials, because they are the largest generation that is still looking forward to college
Answer: C
Explanation: Based on sheer size, the Baby Boomers are the best choice. They are also the oldest generation and therefore are more likely to have more disposable income than Gen Xers, Gen Yers, or the Post-Millennials.
Diff: 2
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29) Marta has turned her attention to cultivating undergraduate students in the near future–three to five years from now. On which generation should she focus her attention?
A) the Baby Boomers, because they are looking for Continuing Education programs for self-improvement
B) Gen X, because they are looking to get advanced degrees so they can obtain high-paying jobs
C) Gen Y, because the job market is so difficult they are looking to specialize in a useful major such as accounting and biology
D) the Post-Millennials, because they are of the age that is just beginning to enroll in college
Answer: D
Explanation: Though Baby Boomers, Gen Xers, and Gen Yers might have legitimate reasons for pursuing a degree, their needs are minor compared to those of the Post-Millennials, who in 3 to 5 years would be beginning to reach the age where they had completed high school and were ready to go to college.
Diff: 2
AACSB: Diverse and multicultural work environments
LO: 2.1: Explain what the external environment is and why it's important.

30) Marta wants to increase visibility for graduate programs in such areas as public health that are specialized for professionals who have already worked in their field for ten years or more. On which generation should she focus her efforts?
A) Gen W
B) Gen X
C) Gen Y
D) Pre-Millennials
Answer: B
Explanation: Gen X is the only generation that is old enough to have worked in a professional field for a decade or more and now wants to return to school and receive additional training and expertise. Therefore, Marta should be focusing on this cohort that is in its forties and early fifties.
Diff: 2
AACSB: Diverse and multicultural work environments
LO: 2.1: Explain what the external environment is and why it's important.

31) Marta is worried that the facilities at Linden State are not as up-to-date as they could be with respect to wi-fi access and the availability of classes on-demand using podcasts, social networking, and other digital advances. Which generation is likely to notice this deficiency the most?
A) the children of the Baby Boomers
B) the Baby Boomers
C) the Post-Millennials
D) Gen X
Answer: C
Explanation: The Post-Millennials are all young enough to have grown up with all of the digital advances that are now available in society. They are the group that is most likely to see the "old-fashioned" digital facilities at Linden State as primitive and inadequate.
Diff: 2
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32) Theodore and Janice have formed TJ Soft, an entrepreneurial venture to develop games and other kinds of software for consumers. Theodore feels that success depends on the decisions that he and Janice make in the near future with respect to personnel. If they hire the "right" people, Theodore thinks, the company will be successful. Which view of management does Theodore espouse?
A) the symbolic view of management, because success rides on the decisions of the managers
B) the symbolic view of management, because success rides on external factors–whom Theodore and Janice hire from the outside world
C) the omnipotent view of management, because success rides on the skills of the workers
D) the omnipotent view of management, because success rides on the decisions of the managers
Answer: D
Explanation: Theodore has professed an omnipotent view of management because he thinks that everything rides on the decisions that he and Janice make. A symbolic view of management would attribute success more to external factors that affect the market than managerial decisions.
Diff: 2
AACSB: Analytical thinking
LO: 2.1: Explain what the external environment is and why it's important.

33) Theodore and Janice have formed TJ Soft, an entrepreneurial venture to develop games and other kinds of software for consumers. Janice loves the company but feels that the economy is too slow to expect any kind of overwhelming success at this point in time. For now, Janice just wants the company to survive. In a few years the company perhaps can look forward to true success. Which view of management does Janice espouse?
A) the omnipotent view of management, because success rides on external factors such as the economy
B) the symbolic view of management, because success rides on external factors such as the economy
C) the symbolic view of management, because success rides on internal factors such as the judgment of Theodore and Janice
D) the omnipotent view of management, because success rides on internal factors such as the judgment of Theodore and Janice
Answer: B
Explanation: Janice has professed a symbolic view of management because she thinks that success for the company rides on the state of the market. An omnipotent view of management would attribute success more to the ability of Theodore and Janice to guide the company to success than the external environment.
Diff: 2
AACSB: Analytical thinking
LO: 2.1: Explain what the external environment is and why it's important.

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34) Theodore and Janice have formed TJ Soft, an entrepreneurial venture to develop games and other kinds of software for consumers. Theodore has just gotten wind from a highly reliable source that games involving animals and ecosystems are likely to be extremely "hot" in the coming year. Theodore is excited because TJ Soft has two games in development that fit the animal/eco niche perfectly. Which component of the external environment will affect TJ Soft the most in this situation?
A) the demographic component
B) the political component
C) the sociocultural component
D) the global component
Answer: C
Explanation: The demographic component, political component, and global components are likely to play only marginal roles in the success of TJ Soft's new games. What will make a difference is that the assessment of public taste–the appetite for a specific kind of game–has been correctly assessed. This assessment employs the sociocultural component of the external managerial environment.
Diff: 2
AACSB: Analytical thinking
LO: 2.1: Explain what the external environment is and why it's important.

35) Theodore and Janice have formed TJ Soft, an entrepreneurial venture to develop games and other kinds of software for consumers. Theodore has just gotten wind from a highly reliable source that Congress is likely to take action in the coming year to ban violent games. TJ Soft has several games that could be considered violent. Which component of the external environment will affect TJ Soft the most in this situation?
A) the political/legal component
B) the demographic component
C) the technological component
D) the economic component
Answer: A
Explanation: The demographic component, technological component, and economic components are unlikely to play large roles in this situation. What will make a difference is the political component since Congress is a political entity and the problem that the company has is based on a law that was passed.
Diff: 2
AACSB: Analytical thinking
LO: 2.1: Explain what the external environment is and why it's important.

36) Today's managers must learn to cope with a greater level of change than those of the past.
Answer: TRUE
Explanation: "Dynamic forces are sweeping across the globe, reshaping our lives and creating a wave of opportunities...." This quote shows that change is the new normal for organizations and the need to adapt to those changes is greater than ever before.
Diff: 2
LO: 2.1: Explain what the external environment is and why it's important.

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37) Holding on tightly to organizational habits is one of the foundations of long-term success.
Answer: FALSE
Explanation: The one constant that all organizations face, regardless of their size, is the need to change and adapt to today's business environment.
Diff: 2
LO: 2.1: Explain what the external environment is and why it's important.

38) Organizational traditions should not be followed if they don't fit with the current demands of customers and shareholders.
Answer: TRUE
Explanation: Organizations that are too bound by tradition and don't (or refuse to) change are less and less likely to survive the turbulence in today's world.
Diff: 2
LO: 2.1: Explain what the external environment is and why it's important.

39) A major cause of the shutdown of a BMW assembly plant in South Carolina was a bank crisis in Iceland.
Answer: FALSE
Explanation: A volcanic eruption in Iceland was the cause of the shutdown, preventing deliveries to the plant.
Diff: 2
AACSB: Diverse and multicultural work environments
LO: 2.1: Explain what the external environment is and why it's important.

40) The external environment of an organization includes factors and forces that can affect how the organization operates.
Answer: TRUE
Explanation: The external environment includes any outside agent that can influence the performance of the organization.
Diff: 2
AACSB: Diverse and multicultural work environments
LO: 2.1: Explain what the external environment is and why it's important.

41) The components of an organization's external environment include a technological component and a political component.
Answer: TRUE
Explanation: The technological component may include such things as new software, while the political component may include office holders who directly affect a company's business.
Diff: 2
AACSB: Analytical thinking
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42) The sociocultural component of the external environment of an organization includes trends and traditions, but not basic attitudes and values.
Answer: FALSE
Explanation: The sociocultural component of the external environment includes all beliefs and values as well as attitudes and behavioral patterns.
Diff: 1
LO: 2.1: Explain what the external environment is and why it's important.

43) The overall trend toward globalization is part of the political component of an organization's external environment.
Answer: FALSE
Explanation: Globalization is part of the global component of an organization's external environment.
Diff: 2
AACSB: Diverse and multicultural work environments
LO: 2.1: Explain what the external environment is and why it's important.

44) Due to the large size of the economy, organizations in the United States are insulated from global economic failures.
Answer: FALSE
Explanation: Because we live in a "connected" world, managers need to be aware of the impact of the external environment on their organization, including global financial markets, which have a large impact on the U.S. economy.
Diff: 2
AACSB: Diverse and multicultural work environments
LO: 2.1: Explain what the external environment is and why it's important.

45) After the recent economic crisis, managers in the United States have found that there is "smooth sailing" in the global economic arena.
Answer: FALSE
Explanation: After several years in crisis mode, the U.S. economy and other global economies seem to have turned the corner. However, it's not now, nor will it ever be, smooth sailing in the economic arena for managers.
Diff: 2
AACSB: Analytical thinking
LO: 2.1: Explain what the external environment is and why it's important.

46) External factors such as jobs and prices of natural resources are important factors that can affect organizational decisions.
Answer: TRUE
Explanation: Managers have to pay attention to those that could constrain organizational decisions and actions such as jobs, incomes, prices of natural resources and consumer goods, stock market valuations, and business cycle stages.
Diff: 2
AACSB: Analytical thinking
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47) After the recent economic crisis, conditions in the United States have improved much better and faster than in the rest of the world.
Answer: FALSE
Explanation: The slowdown in productivity has moderated globally although it continues to lag in the United States.
Diff: 1
LO: 2.1: Explain what the external environment is and why it's important.

48) Recent data shows that employment in the United States is up, especially in high wage jobs.
Answer: FALSE
Explanation: Total U.S. employment is up. The 5.5 percent unemployment rate was the lowest level in over seven years. However, the downside is that the strongest employment growth has been in *low-wage* jobs.
Diff: 2
LO: 2.1: Explain what the external environment is and why it's important.

49) While global trade has improved since the recent recession, it has not rebounded to pre-2008 levels.
Answer: TRUE
Explanation: Global trade, which grew strongly from the late 1970s through 2008, collapsed during the last global recession and has continued to be sluggish. Some analysts are wondering if this is an indicator of a potentially major macroeconomic change where the world economy is becoming *less* connected.
Diff: 2
AACSB: Diverse and multicultural work environments
LO: 2.1: Explain what the external environment is and why it's important.

50) Experts believe that in the future, income disparity between countries and individual wage earners will be eliminated.
Answer: FALSE
Explanation: The World Economic Forum identified two significant risks facing business leaders and policy makers over the next decade: "severe income disparity and chronic fiscal imbalances."
Diff: 2
AACSB: Diverse and multicultural work environments
LO: 2.1: Explain what the external environment is and why it's important.

51) According to a recent poll, 50 percent of adults feel that economic inequality is not a problem.
Answer: FALSE
Explanation: A Harris Interactive Poll found that only 10 percent of adults think that economic inequality is "not a problem at all."
Diff: 2
AACSB: Diverse and multicultural work environments
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52) The symbolic view of management holds that an organization's performance is based solely on the decisions of managers.
Answer: FALSE
Explanation: The omnipotent view of management holds that an organization's performance is based solely on the decisions of managers.
Diff: 2
LO: 2.1: Explain what the external environment is and why it's important.

53) The omnipotent view of management holds that good managerial decisions result in an organization's success.
Answer: TRUE
Explanation: The omnipotent view of management contends that managerial decisions make the difference between success and failure.
Diff: 2
LO: 2.1: Explain what the external environment is and why it's important.

54) According to the omnipotent view of management, American managers would not be blamed if their company experienced sluggish sales in an economic downturn.
Answer: FALSE
Explanation: An omnipotent manager takes credit for successes and responsibility for failure.
Diff: 2
AACSB: Diverse and multicultural work environments
LO: 2.1: Explain what the external environment is and why it's important.

55) The quarterback of a football team assumes a largely symbolic role for his team because his performance largely determines the outcome of the game.
Answer: FALSE
Explanation: Since a quarterback's performance is critical, he is assuming an omnipotent role.
Diff: 3
AACSB: Analytical thinking
LO: 2.1: Explain what the external environment is and why it's important.

56) According to the text, economic and demographic changes are two important components of the environment that constrain the actions of managers.
Answer: TRUE
Explanation: The text focuses on how these two components work to influence management decisions and actions.
Diff: 2
LO: 2.1: Explain what the external environment is and why it's important.

57) The age of a population is one of its most important demographics.
Answer: TRUE
Explanation: Different generations have different styles, tastes, and goals that affect how business is done.
Diff: 2
AACSB: Diverse and multicultural work environments
LO: 2.1: Explain what the external environment is and why it's important.

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58) The phrase "demographics is destiny" refers to the idea that older nations get tired, which causes their performance to slip.
Answer: FALSE
Explanation: The phrase "demographics is destiny" refers to the idea that the size and values of various age groups in a society can greatly influence events in that society.
Diff: 2
AACSB: Diverse and multicultural work environments
LO: 2.1: Explain what the external environment is and why it's important.

59) Technology has changed the way managers manage by forcing them to keep track of employees in remote locations at all times of the day and night.
Answer: TRUE
Explanation: Managers in today's world must stay in touch with employees who can be located anywhere in the world and may have problems at any time of any day.
Diff: 2
AACSB: Information technology
LO: 2.1: Explain what the external environment is and why it's important.

60) According to demographic predictions, the world's population is becoming older.
Answer: TRUE
Explanation: Demographics show that by 2050, the number of individuals over the age of 65 will reach 25%. In human history the number of individuals over the age of 65 has never exceeded 4% of a country's population.
Diff: 2
AACSB: Diverse and multicultural work environments
LO: 2.1: Explain what the external environment is and why it's important.

61) Gen Xers are generally the children of the Baby Boomers.
Answer: FALSE
Explanation: Gen Yers, born between 1978 and 1994, are generally the children of the Baby Boomers.
Diff: 2
AACSB: Diverse and multicultural work environments
LO: 2.1: Explain what the external environment is and why it's important.

62) Generation Y is becoming one of the most influential age groups.
Answer: TRUE
Explanation: From technology to clothing styles to work attitudes, Gen Y, now the majority age group in the workforce, is helping shape today's workplaces.
Diff: 2
LO: 2.1: Explain what the external environment is and why it's important.

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63) In a short essay, describe an example in which the global component of an organization's external environment has a large impact on the organization itself.
Answer: Taking advantage of a smart, well-educated labor pool in India, a computer company hires an Indian firm to provide 24/7 technical help for computer users. The advantage of this system is that it uses Skype or other video technology not only to explain problems but to *show* users how to solve their problems. This situation shows how labor in one part of the world can solve problems in another part of the world. Note that this global solution to a problem does not come without a cost. Allowing tech support to come from India means that the United States will lose jobs.
Diff: 2
AACSB: Diverse and multicultural work environments
LO: 2.1: Explain what the external environment is and why it's important.

64) In a short essay, describe the main problem of economic inequality.
Answer: Wage gaps have always existed in the United States, but recently the gap between the rich and poor has been growing. All one has to do is take a look at the skyrocking salaries of today's athletes and CEOs. This is not a problem shared by other countries, it is uniquely a product of the U.S. economic system. Several years ago, protestors staged a sit-in on Wallstreet to protest the high salaries of CEOs. This condition has affected how people see opportunity and has serious implications in motivating employees. If employees feel that they cannot reach the top or that they will never be able to attain economic equality, then many may quit trying. Social discontent and motivation are important and business leaders need to recognize how societal attitudes in the economic context also may create constraints as they make decisions and manage their businesses.
Diff: 2
AACSB: Analytical thinking
LO: 2.1: Explain what the external environment is and why it's important.

65) In a short essay, describe and give an example of a sharing economy.
Answer: A s**haring economy i**s an economic environment in which asset owners share with other individuals through a peer-to-peer service, for a fee, their underutilized physical assets (such as a home, car, clothing, tools, or other physical assets). Some analysts have included the sharing of knowledge, expertise, skills, or time, as well.The concept behind the sharing economy (or collaborative consumption) is putting underutilized assets to good use. Asset owners "rent out" assets they're not using to consumers who need those assets but who don't want to or who can't afford to purchase them. Airbnib, Uber, Zipcar and SnapGoods are examples of sharing companies. For instance, SnapGoods is a service through which individuals lend and borrow expensive household items, such as cameras, musical instruments, kitchenware, etc., for a fee.
Diff: 2
AACSB: Analytical thinking
LO: 2.1: Explain what the external environment is and why it's important.

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66) In a short essay, explain the difference between the symbolic and the omnipotent view of management.
Answer: The omnipotent view of management holds that managers, and the decisions that managers make, are largely responsible for the success or failure of an organization. When profits go up, the leader gets to take the credit; when profits drop, the leader takes the blame. The symbolic view of management states that the manager is not so critical to success or failure, but rather outside external factors largely determine the fate of an organization.
Diff: 2
AACSB: Analytical thinking
LO: 2.1: Explain what the external environment is and why it's important.

67) Explain the phrase "demographics is destiny" and give an example of this idea in today's world.
Answer: The phrase "demographics is destiny" refers to the idea that large cohorts of people within a generation tend to drive a culture and an economy. Thus, in the United States, for example, as the enormous Baby Boomer generation grew up and needed housing, the housing market boomed as more and more people bought homes and depleted the existing supply of housing, causing prices to rise. As the children of Baby Boomers grew up and began to move out of their family homes, the Baby Boomers sold their homes and moved into smaller places. The generation that followed the Baby Boomers was not as large as the Baby Boom generation in sheer numbers, so there weren't enough people to buy up available housing. Too few customers chasing too many homes caused the housing market to drop.
Diff: 2
AACSB: Analytical thinking
LO: 2.1: Explain what the external environment is and why it's important.

68) Why were the Baby Boomers so much more influential than other generations with respect to changing American tastes and culture?
A) The Baby Boomers came after World War II when lifestyles were really changing.
B) The Baby Boomers were a much more coherent group than other generations.
C) The Baby Boomers were a much larger group than other generations.
D) The Baby Boomers were a much more free-spirited group than other generations.
Answer: C
Explanation: Being coherent or free-spirited did not have the impact on culture that the sheer size of the Baby Boom generation did. Because of its large size, the generation dictated almost every cultural trend and style for over forty years.
Diff: 3
AACSB: Diverse and multicultural work environments
LO: 2.2: Discuss how the external environment affects managers.

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69) Which statement about the external environment and employment is true?
A) External environmental conditions improve employment during upswings and worsen employment during downturns.
B) External environmental conditions worsen employment during upswings and improve employment during downturns.
C) External environmental conditions have no effect on employment during upswings and worsen employment during downturns.
D) External environmental conditions worsen employment during upswings and have no effect on employment during downturns.
Answer: A
Explanation: During boom times, unemployment drops and wages tend to rise, improving the fortunes of the working public. During recessions and downturns, the opposite takes place: unemployment rises and wages tend to stagnate or drop. Overall, jobs closely correlate with the state of the economy.
Diff: 2
LO: 2.2: Discuss how the external environment affects managers.

70) Which of the following is likely to be the permanent result of the recent economic downturn in the United States?
A) Almost all of the jobs lost will not return.
B) About half of the jobs lost will not return.
C) About a quarter of the jobs lost will not return.
D) Almost all of the jobs lost will return.
Answer: C
Explanation: In general, about 25 percent of the jobs lost during a recession are permanently lost and will not return even if the economy returns to a full-growth, nonrecession state. Most of these jobs will be replaced by new jobs in new industries that are growing.
Diff: 1
LO: 2.2: Discuss how the external environment affects managers.

71) Which trend do most managers need to get used to in the coming years?
A) Most workers will be hired as permanent employees at a lower pay scale than they were in the past.
B) Many workers will be hired as consultants rather than as freelance employees.
C) Most workers will be hired as permanent employees rather than on a freelance basis.
D) Many workers will be hired on a freelance basis rather than as permanent employees.
Answer: D
Explanation: The most dominant trend is that managers will hire freelance and contingency workers to fulfill specific roles and work on specific projects rather than hiring general employees. This policy is taken on because of efficiency; it saves companies money on both salaries and benefits. Drawbacks to the policy include lack of loyalty on the part of workers and general dissatisfaction on the part of workers because they lack benefits and job security.
Diff: 2
LO: 2.2: Discuss how the external environment affects managers.

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72) Which kind of company has the lowest amount of environmental uncertainty in the environmental uncertainty matrix?
A) cell 1
B) cell 2
C) cell 3
D) cell 4
Answer: A
Explanation: Cell 1 identifies a company in an industry with little innovation and no new competitors that also has few components (customers, suppliers, etc.) in its environment. An example of this kind of company is the Zippo lighter company, which has a few simple products, few competitors, and few components to deal with in its industry.
Diff: 2
LO: 2.2: Discuss how the external environment affects managers.

73) Which of the following best defines environmental uncertainty?
A) the amount of innovation and creativity in an organization's internal environment
B) the amount of resources and expertise in an organization's internal environment
C) the amount of change and confidence in an organization's external environment
D) the amount of change and complexity in an organization's external environment
Answer: D
Explanation: Environmental uncertainty is a measure of two things: change in an organization's environment with respect to its market, its products, its position in the market, and so on; and the amount of complexity it faces in its market as measured by the number of competitors, customers, suppliers, and so on.
Diff: 2
LO: 2.2: Discuss how the external environment affects managers.

74) A software company innovates constantly to keep up with new rivals that are constantly appearing on the scene. The software industry itself has an enormous number of players to deal with that includes retailers, online distributors, educational institutions, and government agencies. Where does the company belong on the uncertainty matrix?
A) cell 1
B) cell 2
C) cell 3
D) cell 4
Answer: D
Explanation: The company's product is dynamic, so it is located on the right side of the matrix. The software industry has a large number of components to deal with, so the environment is complex. A dynamic/complex organization corresponds to cell 4.
Diff: 3
LO: 2.2: Discuss how the external environment affects managers.

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75) A TV reality show program essentially puts out the same product episode after episode, year after year, with little change and few rivals. The show exists in a TV industry that has hundreds of different components to keep track of. Where does the show belong on the uncertainty matrix?
A) cell 1
B) cell 2
C) cell 3
D) cell 4
Answer: C
Explanation: The show itself does not change over time, so it qualifies as stable. There are many components in the show's environment, so it rates as "complex." This stable/complex combination puts the company in cell 3.
Diff: 3
LO: 2.2: Discuss how the external environment affects managers.

76) Which of the following is LEAST likely to be considered a stakeholder for a newspaper company, *The Daily Recorder*?
A) the paper boy who delivers the paper to customers
B) critics who claim that all newspapers are biased and dishonest
C) customers who buy the paper at newsstands
D) subscribers
Answer: B
Explanation: Stakeholders include anyone who is affected by the organization's decisions or actions. So both a paper boy and customers are affected by the paper. Critics who criticize the paper from afar are not stakeholders because what they do is not significantly affected by anything that the paper does.
Diff: 2
LO: 2.2: Discuss how the external environment affects managers.

77) Which of the following is an internal stakeholder for the newspaper, *The Daily Recorder*?
A) the editor of *The Daily Sun*
B) the city council
C) shareholders in *The Daily Sun*
D) *The Daily Recorder* shareholders
Answer: D
Explanation: The various parts of *The Daily Sun* are at best external stakeholders in *The Daily Recorder* since they belong to an organization that is a competitor of the paper. Similarly, the city council would be considered an external stakeholder, not an internal stakeholder. That leaves the shareholders of the paper itself–they are internal stakeholders.
Diff: 1
LO: 2.2: Discuss how the external environment affects managers.

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78) *The Daily Recorder* is trying to decide whether it will fire about 200 employees if things don't change in the near future. The paper is scheduling a meeting with the 200 employees. The employees want to include their own family members at the meeting. How should the paper respond?
A) Family members are internal stakeholders, so they should have a separate meeting with the paper without the employees.
B) Family members are internal stakeholders, but they should not be allowed to attend the meeting.
C) Family members are external stakeholders, so they should be allowed to attend the meeting.
D) Family members are not stakeholders, so they should not be allowed to attend the meeting.
Answer: C
Explanation: Family members should be considered stakeholders since the actions of the paper will directly affect their lives. As stakeholders, they may be allowed to attend the meeting. Note that the family members cannot be considered internal stakeholders since they are not officially involved with the paper.
Diff: 2
AACSB: Ethical understanding and reasoning
LO: 2.2: Discuss how the external environment affects managers.

79) *The Daily Recorder* is considering raising its price from 60 cents to 75 cents. Which stakeholders should it consider most in making this decision?
A) All stakeholders should be considered equally.
B) all internal stakeholders
C) all external stakeholders
D) its customers
Answer: D
Explanation: Though all stakeholders should be considered in an important decision, in most cases some stakeholders should be regarded as more critical than others. In this case, the customers who will be expected to pay the extra cost should be considered first and foremost.
Diff: 2
AACSB: Ethical understanding and reasoning
LO: 2.2: Discuss how the external environment affects managers.

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80) *The Daily Recorder* is considering charging online readers a flat fee for access to the news on their computers and electronic devices. Which stakeholder should the paper NOT worry about informing?
A) the paper's online customers
B) the paper's rival, *The Daily Sun*
C) the unions that control the paper's workers
D) the paper's print subscribers
Answer: B
Explanation: The paper certainly should inform all readers of the change as a courtesy. The paper's unions also may be informed, though they may be only indirectly or marginally affected by the decision. One constituency that should not be told about the change is the paper's competitor. The less that *The Daily Sun* knows about the change, the more of a competitive advantage that the paper will get out of the change.
Diff: 2
AACSB: Information technology
LO: 2.2: Discuss how the external environment affects managers.

81) The Total Freedom political party is trying to determine its position on climate change. Whom should the party consider as its stakeholders?
A) official party members
B) all potential voters
C) all people in the world
D) all people in the United States
Answer: C
Explanation: Since climate change affects the entire planet, stakeholders for this issue include all people on the planet, not just party members, voters, or citizens of the United States.
Diff: 2
AACSB: Diverse and multicultural work environments
LO: 2.2: Discuss how the external environment affects managers.

82) Which of the following identifies one reason why managers should NOT put time into managing stakeholder relationships?
A) Managing stakeholder relationships can lead to less predictability of environmental changes.
B) Managing stakeholder relationships can lead to more predictability of environmental changes.
C) Managing stakeholder relationships can lead to innovations.
D) Managing stakeholder relationships can lead to increased trust among stakeholders.
Answer: A
Explanation: Managing stakeholder relationships can lead to more, not less, predictability of environmental changes. If stakeholders are aware of the actions and decisions that the organization is going to undertake, they are less likely to feel "surprised" by those actions and decisions and more likely to become cooperative with the organization itself. Stakeholders who are not kept "in the loop" are likely to feel resentful toward the organization and more likely to take actions that are against the organization's better interests.
Diff: 3
LO: 2.2: Discuss how the external environment affects managers.

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83) What do most high performing companies have in common when it comes to stakeholder relationships?
A) High performing companies tend to consider the interests of all stakeholder groups when they make important decisions.
B) High performing companies tend to consider the interests of internal stakeholder groups only when they make important decisions.
C) High performing companies tend to consider the interests of external stakeholder groups only when they make important decisions.
D) High performing companies tend not to consider the interests of stakeholder groups when they make important decisions.
Answer: A
Explanation: High performing companies tend to be aware that the more input they get from stakeholders of every variety, the better off they are. Keeping stakeholders as informed as possible leads to better relationships and more input for how the company can succeed in a highly competitive marketplace. High performing companies recognize that they can't operate in a vacuum, and important decisions must be considered from every angle before they are made.
Diff: 3
LO: 2.2: Discuss how the external environment affects managers.

84) New York mayor Michael Bloomberg's proposed ban on supersized sugary drinks is reflective of which external organizational issue?
A) the increasing power of Generation X's
B) the symbolic role of managers
C) the importance of stakeholders
D) the increasing economic disparity between the rich and poor
Answer: C
Explanation: Mayor Michael Bloomberg pushed for this ban because of his belief that super-sized drinks were contributing to the obesity epidemic and leading to individual and societal health issues. His belief was that these groups were important external stakeholders for the organization.
Diff: 2
LO: 2.2: Discuss how the external environment affects managers.

85) The CEO of a major corporation experiences emotional problems and makes an appointment to see a psychiatrist. Which of the following has the LEAST legitimate right to be informed about the situation?
A) the stockholders
B) the media
C) the CEO's colleagues
D) the employees of the CEO's company
Answer: B
Explanation: Though all of the choices have a stake in the situation, the media's stake is weak at best. There is no reason why the public needs to know about the CEO's condition unless it somehow affects his job performance or the company's general health.
Diff: 2
AACSB: Ethical understanding and reasoning
LO: 2.2: Discuss how the external environment affects managers.

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86) The CEO of a major corporation experiences emotional problems and begins to see a psychiatrist. Which of the following has the most legitimate right to be informed about the situation?
A) the media, if it is possible that the CEO will need to take medication for his condition
B) the stockholders, if it is likely that the CEO's condition will affect his personal life
C) the CEO's colleagues, if it is possible that the CEO's condition can affect his ability to make decisions
D) the CEO's colleagues, if it is likely that the CEO will need to take medication for his condition
Answer: C
Explanation: The ability of the CEO to make decisions is what is critical in this situation. Undergoing therapy or taking medication does not have much bearing on the situation as long as the CEO is able to function normally. Nor does it matter that the CEO's condition might affect his personal life. What does matter is that the CEO can make good decisions and perform well in his position.
Diff: 2
AACSB: Ethical understanding and reasoning
LO: 2.2: Discuss how the external environment affects managers.

87) The CEO of a major corporation experiences emotional problems and is prescribed antidepressants by his psychiatrist. Which of the following do the CEO's stakeholders have the most legitimate right to be informed about?
A) whether the medication can impair judgment
B) whether the medication is long term or short term
C) whether the CEO continues to receive counseling from the psychiatrist
D) whether the medication has any side effects
Answer: A
Explanation: Side effects may be meaningful to the CEO, but the most critical issue here is whether the medication might in any way affect the CEO's judgment. Whether or not the CEO is receiving counseling or whether that counseling is long term or short term is not important to the stakeholders. The CEO's judgment is important.
Diff: 2
AACSB: Ethical understanding and reasoning
LO: 2.2: Discuss how the external environment affects managers.

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88) The CEO of a major corporation experiences emotional problems and is prescribed antidepressants by his psychiatrist. The medication has been shown in studies to "cloud judgment." Which of the following do the CEO's stakeholders have the most legitimate right to demand?
A) that the CEO resign from his position
B) that the CEO appoint a colleague to share his leadership position and keep an eye on him
C) that the CEO curtail his use of the medication
D) that the CEO be tested to see if his judgment is impaired
Answer: D
Explanation: Stakeholders have a legitimate right to be concerned about the CEO. If his judgment is impaired, he cannot be doing his job to the best of his ability. Therefore, stakeholders have the right to demand a test of the CEO's cognitive abilities. The CEO, of course, is free to refuse to be tested, but stakeholders are also free to ask that he step down if he doesn't comply with their wishes.
Diff: 2
AACSB: Ethical understanding and reasoning
LO: 2.2: Discuss how the external environment affects managers.

89) The CEO of a major corporation experiences emotional problems and is treated for his condition by a psychiatrist. Shortly after he begins taking medication, the CEO is arrested for reckless driving and appears in the media making bizarre statements that sound misguided and bigoted. When questioned about his competence to lead, the CEO blames his troubles on his medication, then continues to behave erratically and make statements in "bad taste." Which of the following do the CEO's stakeholders have the most legitimate right to demand?
A) that the CEO resign from his position
B) that the CEO appoint a colleague to share his leadership position and keep an eye on him
C) that the CEO increase his medication dose
D) that the CEO decrease his medication dose
Answer: A
Explanation: Stakeholders have a legitimate right to be concerned about the CEO. Since his judgment clearly seems to be impaired, the situation seems to be beyond changing the CEO's medication or appointing a colleague to help him. In this case, stakeholders have a legitimate claim to ask the CEO to step down.
Diff: 2
AACSB: Ethical understanding and reasoning
LO: 2.2: Discuss how the external environment affects managers.

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90) The CEO of a major corporation experiences emotional problems and is treated for his condition by a psychiatrist. After being arrested and repeatedly behaving in bizarre and erratic ways, the company's board tries to oust the CEO but fails, so he remains in office. Following the failure to oust him from office, the CEO makes a series of brilliant decisions that vault the company into unprecedented success. Which of the following do the CEO's stakeholders have the most legitimate right to ask for?
A) that the CEO resign from his position
B) that the CEO be given a "figurehead" position in which he is no longer responsible to make decisions
C) that the CEO appoint a colleague to share his leadership position and keep an eye on him
D) that the CEO decrease his medication dose
Answer: C
Explanation: Stakeholders have a legitimate right to be concerned about the CEO, but his excellent performance makes the situation hard to evaluate. Asking the CEO to step down may be unfair and it may also do harm to the company. Changing the CEO's medication dose is business that should be kept private between the CEO and his doctor. The best solution in this situation is to have the CEO obtain a "partner" who can help him with his position and make sure that his behavior doesn't become erratic.
Diff: 2
AACSB: Ethical understanding and reasoning
LO: 2.2: Discuss how the external environment affects managers.

91) Theodore and Janice have formed TJ Soft, an entrepreneurial venture to develop games and other kinds of software for consumers. Theodore has just gotten wind that engineers have developed a new computer system that works like the devices shown in the Steven Spielberg movie *Minority Report* in which users can control a sophisticated computer using their hands in midair. Janice sees this development as highly important to new games for TJ Soft. Which component of the external environment will affect TJ Soft the most in this situation?
A) the global component
B) the sociocultural component
C) the economic component
D) the technological component
Answer: D
Explanation: The sociocultural component, political component, and global components are likely to play only marginal roles in the success of TJ Soft's new games. What will make a difference is a technology development.
Diff: 2
AACSB: Information technology
LO: 2.2: Discuss how the external environment affects managers.

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92) Theodore and Janice have formed TJ Soft, an entrepreneurial venture to develop games and other kinds of software for consumers. Theodore has just read an article that describes the explosion of computer games among young people in India using cell phones and simple computers. This generation in India has well over 300 million people in it, and if TJ Soft can capture just a tiny portion of that market it will be highly successful. Which component of the external environment will affect TJ Soft the most in this situation?
A) the technological component
B) the demographic component
C) the political component
D) the legal component
Answer: B
Explanation: The political component, technological component, and legal components are unlikely to play large roles in this situation. What will make a difference is the demographic component since the large population of potential customers in India is the critical factor in this situation.
Diff: 2
AACSB: Analytical thinking
LO: 2.2: Discuss how the external environment affects managers.

93) Theodore and Janice have formed TJ Soft, an entrepreneurial venture to develop games and other kinds of software for consumers. Theodore has just read an article that says that the low interest rates that currently prevail are likely to end in the coming months. Theodore thinks that TJ Soft may need to apply for a loan now to avoid high costs later. Which component of the external environment will affect TJ Soft the most in this situation?
A) the global component
B) the sociocultural component
C) the economic component
D) the technological component
Answer: C
Explanation: The global component, technological component, and sociocultural components are unlikely to play large roles in this situation. What will make a difference is the economic component since interest rates are a function of the economy.
Diff: 2
AACSB: Analytical thinking
LO: 2.2: Discuss how the external environment affects managers.

94) An industry with a dynamic business environment that is also highly complex faces the maximum amount of environmental uncertainty.
Answer: TRUE
Explanation: This kind of business corresponds to cell 4 in the environmental uncertainty matrix.
Diff: 3
AACSB: Analytical thinking
LO: 2.2: Discuss how the external environment affects managers.

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95) Environmental complexity refers to the number of components that an organization must deal with.
Answer: TRUE
Explanation: Complexity refers to how many competitors, customers, suppliers, and other entities a company must deal with.
Diff: 2
LO: 2.2: Discuss how the external environment affects managers.

96) Given a choice, managers would prefer to operate in an environment that has a minimum of uncertainty.
Answer: TRUE
Explanation: A dynamic environment that is also highly complex is very difficult to plan for and very difficult for decision making.
Diff: 2
LO: 2.2: Discuss how the external environment affects managers.

97) A good manager considers the interests of all stakeholders equally when making an important decision.
Answer: FALSE
Explanation: A manager should consider the interests of all stakeholders, but different stakeholders merit more or less consideration depending who they are and what their relationship is to the organization.
Diff: 2
LO: 2.2: Discuss how the external environment affects managers.

98) In a short essay, describe the parameters in an environmental uncertainty matrix.
Answer: The horizontal axis of the matrix identifies how much change there is in the organization's environment. If change is minimal, the organization exists in a stable environment and doesn't need to worry about new technologies or strong competitors suddenly appearing. In contrast, in a dynamic environment, technological breakthroughs and new rivals do appear frequently. The matrix's vertical axis measures complexity–the number of components that the organization must deal with in its environment. A simple organization has few rivals, suppliers, competitors, and agencies to deal with. A complex organization has many of these components to deal with.
Diff: 3
AACSB: Analytical thinking
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99) In a short essay, describe a real or fictional company that exists in cell 1 of the environmental uncertainty matrix.
Answer: Acme Widgets produces widgets in an industry that is established and stable. There have been very few technological innovations in the widget business recently. The same three widget companies have been making the same widgets using the same manufacturing process for decades. Acme also has little complexity to deal with. Acme has only two suppliers and two competitors. It does not need to deal with complicated government rules or regulations.
Diff: 3
AACSB: Analytical thinking
LO: 2.2: Discuss how the external environment affects managers.

100) In a short essay, describe a real or fictional company that exists in cell 4 of the environmental uncertainty matrix.
Answer: Gulp is a restaurant reservation company that exists in a fast-paced world. The idea behind Gulp is to allow people to make restaurant and other types of reservations online so they don't need to waste time and energy making phone calls. Technological innovations come fast and furious in Gulp's industry. No sooner does Gulp spend money to upgrade its software than some new competitor appears with what appears to be some excellent innovations. In addition to this dynamic environment, Gulp needs to deal with a tremendous amount of complexity. There are over 20,000 different restaurants in Gulp's system for the city, and almost all of them have unique features and needs.
Diff: 3
AACSB: Analytical thinking
LO: 2.2: Discuss how the external environment affects managers.

101) In a short essay, identify all of the stakeholders in a typical apparel company such as the Gap and rank them in terms of importance.
Answer: Stakeholders include anyone in an organization's environment who is affected by the organization's actions and decisions. The Gap's stakeholders includes customers first and foremost, followed by employees and management. Suppliers rank on the next level, including farmers who supply raw materials such as cotton and wool as well as designers, manufacturers, and wholesalers. On the next level are the company's shareholders who have a stake in the financial health of the company and competitors who are affected by the company's actions and strategies. Beyond that is the media, which supplies advertising for the company and is largely responsible for its public image.
Diff: 2
AACSB: Analytical thinking
LO: 2.2: Discuss how the external environment affects managers.

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102) The greater the environmental uncertainty, the more an organization needs to become _____.
A) organic
B) mechanistic
C) stable
D) high-tech
Answer: A
Explanation: Increased uncertainty in a business environment requires an organization to be more flexible and adaptable–in other words, more organic. High uncertainty would militate against being more mechanistic, and it would have little influence on the stability of an organization or the degree to which it was "high-tech."
Diff: 2
LO: 2.3: Define what organizational culture is and explain why it's important.

103) The culture of an organization is analogous to the _____ of an individual.
A) skills
B) personality
C) motivation
D) ability
Answer: B
Explanation: Organizational cultures are like people–individual, contradictory in places, full of quirks and unexpected traits. In other words, organizational cultures resemble individual personalities, making "personality" the correct response.
Diff: 1
LO: 2.3: Define what organizational culture is and explain why it's important.

104) Three important things to know about organizational culture is that it is 1) perceived, 2) descriptive, and 3) _____.
A) consistent
B) shared
C) ethical
D) visible
Answer: B
Explanation: Three important factors of organizational culture are that it is perceived, descriptive, and shared. Culture does not have to be consistent across the organization; many elements of culture are invisible and sometimes unethical.
Diff: 3
LO: 2.3: Define what organizational culture is and explain why it's important.

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105) Which of the following is NOT a common way in which corporate cultures are transmitted to employees?
A) stories
B) informal rituals
C) formal culture meetings
D) symbols
Answer: C
Explanation: Corporate culture gets handed down through stories, rituals, and material symbols, but not formal culture meetings. The dissemination of cultural values is almost always an indirect process in which meaning is inferred from a story, action, or even something as small as a facial expression.
Diff: 2
LO: 2.3: Define what organizational culture is and explain why it's important.

106) Southwest Airlines, which is an industry leader in providing benefits and the way it treats employees, is an example of which of the following dimensions of organizational culture?
A) member identity
B) people focus
C) risk tolerance
D) conflict tolerance
Answer: B
Explanation: An organization's people focus shows in the way that it treats its employees through benefits and other policies and procedures.
Diff: 2
LO: 2.3: Define what organizational culture is and explain why it's important.

107) A regularly scheduled morning meeting of employees would be an example of this method of transmitting organizational culture.
A) Language
B) Artifacts
C) Corporate rituals
D) Stories
Answer: C
Explanation: Corporate rituals are repetitive sequences of activities that express and reinforce important organizational values and goals.
Diff: 2
LO: 2.3: Define what organizational culture is and explain why it's important.

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108) The original source of an organization's culture usually reflects the vision and attitudes of _____.
A) the current president or CEO of the organization
B) the organization's original employees
C) contemporaries who are admired by the organization
D) the organization's founders
Answer: D
Explanation: Corporate culture is typically a tradition so it would be impossible for it to be provided by current members of the organization or contemporaries held in high esteem. Original employees of an organization might help contribute to corporate culture, but the culture's primary sources are invariably the organization's founders. In general, corporate cultures reflect the values and attitudes of their founders, making "the organization's founders" the correct response.
Diff: 2
LO: 2.3: Define what organizational culture is and explain why it's important.

109) Apple, which lives and breathes new product development, emphasizes which dimension of organizational culture?
A) member identity
B) innovation
C) people focus
D) conflict tolerance
Answer: B
Explanation: Apple's focus is product innovation (innovation and risk taking). The company "lives and breathes" new product development and employees' work behaviors support that goal.
Diff: 2
LO: 2.3: Define what organizational culture is and explain why it's important.

110) All of the following show why corporate rituals can be valuable in a corporate culture EXCEPT _____.
A) rituals help initiate new employees into the culture
B) rituals reinforce corporate values
C) rituals symbolize key ideas that are important in the culture
D) rituals intimidate and silence critics of the corporate culture
Answer: D
Explanation: Rituals have been shown to be valuable for initiations, reinforcing attitudes and values, and conveying important ideas and ideals. One would hope that rituals would not be used to intimidate or stifle the instincts of an employee in any way, making the choice regarding that issue the correct response.
Diff: 2
LO: 2.3: Define what organizational culture is and explain why it's important.

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111) What is the implicit message in a story like the tale of the Post-it® note and Art Fry?
A) Your problems are not as difficult as the problems that Art Fry faced so you shouldn't complain.
B) You can solve your problems in novel and creative ways just like Art Fry.
C) Your problems are much harder than the problems that Art Fry faced, but the tools you have to solve them are much better.
D) Your problems are not like the problems that Art Fry faced so you can't solve them in the same way.
Answer: B
Explanation: The message of the Art Fry story is to encourage employees to meet challenges with the same kind of open mind and creative spirit in which Art Fry met his challenge. The story is not meant to comment specifically on Post-it® notes or to make comparisons about how hard or easy today's business climate is when compared to Art Fry's environment.
Diff: 2
LO: 2.3: Define what organizational culture is and explain why it's important.

112) How is a corporate ritual different from a corporate story or legend?
A) A ritual does not attempt to teach a specific lesson while a story or legend does.
B) A story or legend does not attempt to teach a specific lesson while a ritual does.
C) A ritual is not to be taken seriously while a story or legend is.
D) A story or legend is not to be taken seriously while a ritual is.
Answer: A
Explanation: Both rituals and stories or legends are meant to be taken seriously. The two are different, however, in that a story or legend typically has a specific point it wants to make or a lesson it wants to teach. A ritual, on the other hand, is more concerned with conveying the company identity rather than communicating any specific message.
Diff: 2
LO: 2.3: Define what organizational culture is and explain why it's important.

113) How might a manager at WorldNow, a technology company that manufactures innovative oil drilling solutions, use its drill to motivate employees?
A) by saying that if employees don't work hard, company rivals will "drill" WorldNow
B) by saying that if employees work hard, WorldNow will be able to "drill" its competitors
C) by saying that like an electric drill that can work all day without quitting, employees need to be persistent
D) by saying that to solve a tough problem, employees need to "drill" down to the truth of the situation
Answer: D
Explanation: WorldNow's drill is not a symbol that is meant to be used as a weapon or as a relentless machine. Instead, the drill refers to a worker not being satisfied with the surface answer to a question. Instead, workers are encouraged to "drill" down through the surface to find the true solution to the problem at hand.
Diff: 2
LO: 2.3: Define what organizational culture is and explain why it's important.

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114) A company's organizational culture refers to a system of shared political beliefs.
Answer: FALSE
Explanation: A company's culture may share values and beliefs that involve the company itself, but political beliefs are not shared.
Diff: 2
LO: 2.3: Define what organizational culture is and explain why it's important.

115) Employees learn organizational culture by reading official organization documents and histories.
Answer: FALSE
Explanation: Employees learn corporate culture from traditions, stories, symbols, attitudes, and many other sources. Official documents are usually not good sources for learning about corporate culture.
Diff: 2
LO: 2.3: Define what organizational culture is and explain why it's important.

116) An organization's founder has little influence on its culture.
Answer: FALSE
Explanation: The founder's values and attitudes typically establish all key elements of an organization's culture.
Diff: 2
LO: 2.3: Define what organizational culture is and explain why it's important.

117) Using special language and unique terms to describe things is part of how culture is communicated.
Answer: TRUE
Explanation: Organizational language such as acronyms and terms are part of language and culture of the organization.
Diff: 2
LO: 2.3: Define what organizational culture is and explain why it's important.

118) How employees dress has nothing to do with an organization's culture.
Answer: FALSE
Explanation: Dress styles and dress codes, both formal and informal, contribute significantly to an organization's overall culture.
Diff: 3
AACSB: Diverse and multicultural work environments
LO: 2.3: Define what organizational culture is and explain why it's important.

119) Corporate rituals are repetitive sequences of activities that express and reinforce important organizational values and goals.
Answer: TRUE
Explanation: Companies use rituals, which are repetitive activities, to reinforce organizational goals.
Diff: 2
LO: 2.3: Define what organizational culture is and explain why it's important.

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120) In a short essay, describe how an organization obtains its culture and give an example.
Answer: An organization's culture typically originates with the organization's founders. For example, IBM's founder, Thomas Watson, laid down the foundation for his company in the 1920s as an organization that "pursues excellence." The culture evolves as it interacts with current members of the organization. Thus, IBM's current CEO Louis Gerstner went back to the founder's original vision of the company but infused a modern interpretation of that vision into the current company.
Diff: 3
AACSB: Analytical thinking
LO: 2.3: Define what organizational culture is and explain why it's important.

121) In a short essay, give an example of how an organizational story can have an impact on the organization itself.
Answer: The story of Nike's Bill Bowerman taking his wife's waffle iron and pouring rubber into it illustrates creativity at its best–an employee who is willing to go to great lengths to see if he can solve a difficult problem. The impact that this story can have on an organization can inspire workers to look in unusual places to find answers to tough problems. For example, if the story is successful today, it is inspiring Nike workers to refuse to accept a conventional solution to a problem if it is not adequate, and to resort to an unconventional solution if it is able to get the job done.
Diff: 3
AACSB: Analytical thinking
LO: 2.3: Define what organizational culture is and explain why it's important.

122) Organizational culture affects managers in two main ways: 1) its effect on what employees do and how they behave and 2) _____.
A) the benefits and rewards established by the founder
B) its effect on organizational structure
C) its effect on what managers do
D) the communication pattern between organizational members
Answer: C
Explanation: The two main ways that an organization's culture affects managers are 1) its effect on what employees do and how they behave, and 2) its effect on what managers do.
Diff: 2
LO: 2.4: Describe how organizational culture affects managers.

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123) When rating how deeply held values are within an organization, culture is ranked from _____ to _____.
A) strong; weak
B) long-term; short-term
C) deep; shallow
D) static; dynamic
Answer: A
Explanation: An organization's culture has an effect on what employees do, depending on how strong, or weak, the culture is. Strong cultures–those in which the key values are deeply held and widely shared–have a greater influence on employees than do weaker cultures.
Diff: 2
LO: 2.4: Describe how organizational culture affects managers.

124) Which of the following most accurately reflects the difference between strong cultures and weak cultures?
A) Strong cultures tend to encourage employee innovation, while weak cultures do not.
B) Weak cultures are found in most successful organizations, whereas strong cultures are relatively rare.
C) Strong cultures have less of an influence on employee behavior than do weak cultures.
D) Company values are more deeply held and widely shared in strong cultures than in weak cultures.
Answer: D
Explanation: Strong cultures are common in successful organizations, making the choice regarding weak cultures being found in most successful organizations incorrect. The choice regarding strong cultures having less influence is incorrect because strong cultures have more impact on individuals than weak cultures. Strong cultures encouraging employee innovation is incorrect because a strong culture may or may not encourage innovation. This leaves the choice regarding company values being more deeply held and widely shared as the correct response, as it accurately states that strong cultures imprint themselves more deeply into individuals than weak cultures.
Diff: 2
LO: 2.4: Describe how organizational culture affects managers.

125) What determines whether an organization has a strong culture or a weak culture?
A) how much employees are compensated for their efforts and whether they think their compensation is fair
B) how much employees accept the organization's key values and are committed to those values
C) whether or not employees feel that the organization is ethical
D) how fairly employees feel that they are being treated
Answer: B
Explanation: What distinguishes a strong organizational culture and a weak culture does not primarily depend on such things as compensation or fairness, though those things do figure into a culture. Instead, the critical element is the employees' belief and commitment to organizational values.
Diff: 2
LO: 2.4: Describe how organizational culture affects managers.

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126) Which kind of culture most affects the way managers plan?
A) A weak organizational culture gives managers the freedom to make their own decisions.
B) A strong organizational culture gives managers the freedom to make their own decisions independent of organizational values.
C) A strong organizational culture helps guide the way managers plan.
D) A weak organizational culture helps guide the way managers plan.
Answer: C
Explanation: A strong organizational culture helps guide the way for all of the primary managerial functions–planning, organizing, leading, and controlling. Rather than make decisions that are independent of organizational values, a strong culture instills those values in its managers and guides them on their way to planning, organizing, leading, and controlling.
Diff: 2
LO: 2.4: Describe how organizational culture affects managers.

127) Which of the following statements about organizational culture is correct?
A) An organization with a weak culture would need fewer written rules and regulations to conduct business than a strong culture.
B) An organization with a strong culture would need more written rules and regulations to conduct business than a weak culture.
C) An organization with a strong culture would need fewer written rules and regulations to conduct business than a weak culture.
D) Both weak and strong organizational cultures need as many written rules and regulations to conduct business as possible.
Answer: C
Explanation: A strong culture essentially takes the place of written rules and regulations. Rather than need to consult written documents, employees in a strong culture simply refer to the unwritten precepts that the culture provides. In organizations with truly strong cultures, there is agreement with respect to values so this system works well.
Diff: 2
LO: 2.4: Describe how organizational culture affects managers.

128) How does the Apache Corp. communicate its attitude toward risk taking to its employees?
A) through actions that reward risk taking and initiative
B) through actions that discourage risk taking and initiative
C) through written policies and rules that reward risk taking and initiative
D) through written policies and rules that discourage risk taking and initiative
Answer: A
Explanation: The ways in which managers create a culture of risk taking and quick decision making is not explicit at Apache. Instead, managers know the values of the company implicitly and express those values through their actions, rewarding smart risk taking and encouraging workers to be creative and innovative and discouraging employees who are excessively timid or conservative in their actions.
Diff: 2
LO: 2.4: Describe how organizational culture affects managers.

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129) Which kind of organizational culture do the following values describe?

1. Don't be lazy or sloppy.
2. It's better to try a good idea and fail then to stick with a bad idea.
3. When you think your product is perfect, go back and try to make it better.

A) a company that values innovation more than quality
B) an innovative, risk-taking company that has high standards
C) a company that values quality more than innovation
D) a conservative, risk-averse company that has high standards
Answer: B
Explanation: The company conveys its attitude toward risk and innovation by stating that failure is "allowed" as long a person fails when attempting to implement a good idea. The company conveys its high standards by saying that "perfect" is not good enough.
Diff: 2
LO: 2.4: Describe how organizational culture affects managers.

130) Which of the following will a "ready-aim-fire" culture tend to do with plans for building a new factory?
A) carefully study the plans before building
B) get the building process underway before the plans are finished in order to avoid possible objections to expansion
C) briefly study the plans before building
D) carry out the planning and building process simultaneously to make sure that the plans are updated continuously
Answer: A
Explanation: A "ready-aim-fire" culture spends a great deal of time on "taking aim" before it takes action. This kind of culture, rather than act impetuously, will study the expansion plans endlessly before actually beginning the process of building a new factory.
Diff: 2
LO: 2.4: Describe how organizational culture affects managers.

131) Which company would be best suited to a "ready-aim-fire" culture?
A) a chocolate bar company that has made the same successful products for decades
B) a pharmaceutical company that is searching for a new way to prevent obesity
C) a cell phone company that is seeking to gain market share
D) a camera company that is worried that cell phones are taking over its business
Answer: A
Explanation: A "ready-aim-fire" culture emphasizes slow, deliberate action and careful consideration before taking action. Therefore, a "ready-aim-fire" culture is best suited to a stable, conservative business in which things don't change very much, such as a candy bar business. Cell phone, pharmaceutical, and camera companies are all in industries that are too fast paced for a "ready-aim-fire" culture to be successful.
Diff: 2
LO: 2.4: Describe how organizational culture affects managers.

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132) Which company would be best suited to a "ready-fire-aim" culture?
A) a chocolate bar company that has made the same successful products for decades
B) a pharmaceutical company that is searching for a new way to prevent obesity
C) a cell phone company that is seeking to gain market share
D) a camera company that is worried that cell phones are taking over its business
Answer: C
Explanation: A "ready-fire-aim" culture emphasizes fast action and quick decision. The idea is that in a fast-paced industry there is not enough time for a company to study the situation. Instead, managers must make their best guess and proceed with the best plan they can devise. For these reasons, a "ready-fire-aim" culture is best suited to a fast-paced industry such as the cell phone industry in which new innovations and "game-changing" improvements are routinely taking place.
Diff: 2
AACSB: Analytical thinking
LO: 2.4: Describe how organizational culture affects managers.

133) Which managerial planning decision is most affected by organizational culture?
A) the degree of risk that plans contain
B) how much autonomy employees should have
C) how to implement the best leadership styles
D) how much to empower employees
Answer: A
Explanation: Autonomy falls into the category of organizing while empowerment is a controlling decision. Leadership style is categorized in the leading function. That leaves risk, which is a part of the planning function of a manager as the correct response.
Diff: 2
LO: 2.4: Describe how organizational culture affects managers.

134) Which managerial controlling decision is most affected by organizational culture?
A) how to improve employee job satisfaction
B) how much environmental scanning should be done
C) how much to empower employees
D) how to deal with sexual harassment
Answer: C
Explanation: Job satisfaction, environmental scanning, and dealing with sexual harassment are all part of the leading function. The question of how closely employees are controlled or whether they can control their own action is empowerment, and empowerment is categorized as part of the controlling function of a manager.
Diff: 2
LO: 2.4: Describe how organizational culture affects managers.

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135) Which managerial organizing decision is most affected by organizational culture?
A) how much environmental scanning should be done
B) how to deal with employee disagreements
C) how to structure employee evaluations
D) whether workers should work individually or in teams
Answer: D
Explanation: Environmental scanning is a part of the planning function of a manager. Handling employee disagreements is part of the leading function. Structuring evaluations is part of the controlling function. Assigning employees to work in teams or as individuals is part of the organizing function of a manager.
Diff: 2
LO: 2.4: Describe how organizational culture affects managers.

136) Which managerial organizing decision is most affected by organizational culture?
A) the amount of autonomy that employees should have
B) how much environmental scanning should be done
C) the amount of risk that is acceptable
D) how to structure employee evaluations
Answer: D
Explanation: Environmental scanning is a part of the planning function of a manager. Anticipating risk is part of the planning function. Determining employee autonomy is part of the organizing function. Structuring employee evaluations is part of the organizing function of a manager.
Diff: 2
LO: 2.4: Describe how organizational culture affects managers.

137) Strong organizational culture can eliminate the need for rules and regulations.
Answer: TRUE
Explanation: A strong culture can serve as guidelines for employees, eliminating the need for official rules and regulations.
Diff: 3
LO: 2.4: Describe how organizational culture affects managers.

138) In a ready-aim-fire culture, managers are more likely to carefully study a problem before making a decision.
Answer: TRUE
Explanation: In a "ready-aim-fire" culture, managers will study and analyze proposed projects endlessly before committing to them. However, in a "ready-fire-aim" culture, managers take action and then analyze what has been done.
Diff: 2
LO: 2.4: Describe how organizational culture affects managers.

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139) Strong cultures make a manager's job easy because all organizational policies, practices, and traditions are provided in writing for easy reference.
Answer: FALSE
Explanation: In most cases, organizational policies, practices, and traditions are unwritten and, in many cases, unspoken.
Diff: 2
AACSB: Diverse and multicultural work environments
LO: 2.4: Describe how organizational culture affects managers.

140) In a ready-fire-aim culture, managers will endlessly analyze a situation before taking action.
Answer: FALSE
Explanation: Managers who spend too much time analyzing are members of a ready-aim-fire culture, not a ready-fire-aim culture.
Diff: 1
LO: 2.4: Describe how organizational culture affects managers.

141) Organizational culture largely determines how much risk members of an organization will take.
Answer: TRUE
Explanation: The amount of risk that employees are willing to take is largely communicated through organizational culture.
Diff: 2
LO: 2.4: Describe how organizational culture affects managers.

142) In a short essay, describe the difference between a strong and a weak organizational culture and how both affect organizational behavior.
Answer: In a strong organizational culture, employees accept the values and goals that the organization promotes. In a weak culture, the opposite is true: the values of the organization are not honored or, in some cases, are not even known. Strong cultures are enormously advantageous to managers because they allow employees to make decisions on their own. For example, if a questionable practice arises within a strong organizational culture, employees know, without anyone telling them, whether or not that practice "is something we do," so there is little need for direct supervision or written rules. In a weak organizational culture, in contrast, a questionable practice may provoke many different responses from confused employees. Ultimately, to retain control the weak culture needs to resort to written rules and close monitoring of workers to make sure that they adhere to organizational values.
Diff: 2
AACSB: Analytical thinking
LO: 2.4: Describe how organizational culture affects managers.

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143) Write a series of rules that a company could use to encourage its employees to be risk-takers and innovators.
Answer: 1. Don't look for the obvious answer to every question.
2. If you are doing the same thing that your competition is doing, then you are probably doing the wrong thing.
3. Be like a shark: if you aren't moving forward you begin to drown.
4. "Dumb" ideas are useful. A person needs to go through 99 dumb ideas to get one "smart" idea.
Diff: 2
AACSB: Analytical thinking
LO: 2.4: Describe how organizational culture affects managers.

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