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Chapter 2 Organizational Environments and Cultures

MULTICHOICE

1. What are the two types of external organizational environments?

(A) general and specific

(B) public and private

(C) global and national

(D) organizational and interpersonal

Answer : (A)

2. Which of the following environments affects all organizations?

(A) the global environment

(B) the national environment

(C) the general environment

(D) the formal environment

Answer : (C)

3. George is analyzing his competition and reviewing changes in overseas markets to create a new strategy for his organization. Which environment is George concerned with?

(A) the specific environment

(B) the external environment

(C) the formal environment

(D) the national environment

Answer : (B)

4. Which of the following is a type of company most likely to be facing a dynamic environment?

(A) a video game manufacturer

(B) a bakery

(C) a brewery, winery, or distillery in the liquor industry

(D) a manufacturer of pet food

Answer : (A)

5. Companies go through long, simple periods of environmental stability followed by short, complex periods of dynamic, fundamental environmental change, finishing with a return to environmental stability. Which theory states this?

(A) the environmental change theory

(B) the theory of environmental dynamics

(C) the punctuated equilibrium theory

(D) the theory of resource scarcity

Answer : (C)

6. What industry has experienced both the stable and dynamic environments predicted by punctuated equilibrium theory over the past 20 years?

(A) airline

(B) baking

(C) video game

(D) landscaping

Answer : (A)

7. Imagine a Canadian fertilizer manufacturer wanted to export its fertilizer to Guatemala. What type of component in the manufacturer's general environment is represented by the fact that 75 percent of Guatemalans live below the poverty line?

(A) technological

(B) sociocultural

(C) economic

(D) political/legal

Answer : (C)

8. Tony's Donair in Halifax is a family-run business and its loyal customers enjoy the

traditional donair recipes perfected over 40 years in business. Which type of environment is this company an example of?

(A) technological environment

(B) complex environment

(C) custom environment

(D) simple environment

Answer : (D)

9. Carson's industry has changed overnight with technology and communication advancements. His company faces new competition from overseas markets and his once loyal customers want better pricing or will leave. Carson has to find a new way to manufacture products to remain competitive. Which environment does Carson operate within?

(A) competitive

(B) complex

(C) dynamic

(D) abundant

Answer : (B)

10. What defines the degree to which an organization's external environment has an abundance or lack of critical organizational resources?

(A) environmental complexity

(B) environmental capacity

(C) differentiation opportunity

(D) resource scarcity

Answer : (D)

11. Which environmental characteristic is likely to be particularly salient for many companies in a strong economy, where the demand for qualified job applicants exceeds the supply?

(A) environmental complexity

(B) environmental change

(C) resource scarcity

(D) environmental uncertainty

Answer : (C)

12. Eleanor must steer her company through a crisis. She must search for a new supplier of a raw material that makes her product unique. New competition is forcing her to reduce prices, and her production process is outdated. Which environmental characteristic is Eleanor dealing with?

(A) uncertainty

(B) differentiation

(C) difficulty

(D) entrepreneurship

Answer : (A)

13. Which environment in a hospital is concerned with legislation about the disposal of biological wastes, the development of more sophisticated imaging machines, and longer patient life spans?

(A) internal environment

(B) specific environment

(C) sociocultural environment

(D) general environment

Answer : (D)

14. Which of the following environments consists of the economy and the technological, sociocultural, and political/legal trends that indirectly affect all organizations?

(A) the complex environment

(B) the specific environment

(C) the general environment

(D) the indirect environment

Answer : (C)

15. Which of the following is a component of the specific environment that directly influences a restaurant's day-to-day operation?

(A) its regular customers

(B) the country's Gross National Product

(C) a societal trend toward eating less fat

(D) more rigid enforcement of provincial labour and occupational health laws

Answer : (A)

16. Howard is reflecting on the rapid changes in the economy. The increasing volatility of oil prices over the past year has caused many firms to reconsider their options. What environment is oil part of?

(A) resource environment

(B) technological environment

(C) specific environment

(D) general environment

Answer : (D)

17. Which of the following is a component of Coca-Cola's specific environment and will directly influence how Coca-Cola does business?

(A) Pepsi-Cola

(B) laws concerning sanitation

(C) inflation

(D) the increased popularity of energy drinks

Answer : (A)

18. Which of the following is a component of a book publisher's general environment and will indirectly influence how it does business?

(A) other book publishing companies

(B) pornography laws

(C) an advocacy group supporting free books for children

(D) a trend toward less leisure time

Answer : (D)

19. Frustrated with high cellphone costs, Caroline is rallying companies through the industry trade association to petition the government to allow overseas competition to enter the Canadian cellphone industry. Which specific environment component is Caroline a part of?

(A) advocacy

(B) supplier

(C) industry regulation

(D) competitor

Answer : (A)

20. Mary Brown's is a fried chicken restaurant chain famous for its chicken. It recently announced that several of its restaurants became compliant with a set of religious dietary restrictions. Which of the following would have been the **most likely** factor in its specific environment for the chain to make that decision?

(A) matching a similar product offered by another fried chicken restaurant

(B) Canadian Food Inspection Agency (CFIA) regulations changed

(C) a boycott proposed by members of the religion in question

(D) customers requesting their products be made compliant with their dietary practices

Answer : (D)

21. Kelly is deciding which industry to move funds into for her investing clients. She reads that managers in the Canadian mining sector forecast export growth due to overseas production requirements. What kind of reports is Kelly reading?

(A) industry regulations

(B) business confidence indices

(C) competitive analyses

(D) supplier dependence reports

Answer : (B)

22. Which essentials must technology use to transform inputs (e.g., raw materials and information) into outputs (products or services)?

(A) knowledge, tools, and techniques

(B) capital, plans, and management

(C) plans, knowledge, and tools

(D) management, capital, and techniques

Answer : (A)

23. More premature babies than ever before are surviving due to improvements in medical knowledge and care. Which component of hospitals has this improvement influenced?

(A) technological

(B) sociocultural

(C) economic

(D) demographic

Answer : (A)

24. Following the election of the federal Liberal government in 2015, Canadians were seen to more frequently sew flags onto their travel gear. What component of the general environment changed?

(A) technological

(B) sociocultural

(C) economic

(D) competitive

Answer : (B)

25. Fear of a lawsuit prevents many employers from giving totally honest references about former employees. What component change of the general environment does this reflect?

(A) technological

(B) social

(C) economic

(D) political/legal

Answer : (D)

26. The manager of a company that produces soy-based sausage wants to conduct a competitive analysis. What should the manager look at?

(A) the political/legal climate of the region

(B) technological changes that affect food processing

(C) business confidence indices for the restaurant and hospitality industry

(D) individuals who make their own sausage

Answer : (D)

27. White Spot is a casual dining restaurant chain that is famous for the Triple "O" sauce on its burgers. Which of the following would be a component of its sociocultural environment?

(A) a period of business prosperity

(B) the development of fully automated drive-through windows

(C) a price war with Cactus Café and Moxies

(D) the preference of most consumers to eat out rather than at home

Answer : (D)

28. Restaurants in Ontario that do not pass health and safety standards are required to post a failing evaluation on their front window for the public to see. Customers can now make more informed decisions about which restaurant to eat at. Which component of the general environment is this a part of?

(A) customer

(B) political/legal

(C) competitor

(D) sociocultural

Answer : (B)

29. White Spot is a casual dining restaurant chain that is famous for the Triple "O" sauce on its burgers. Which of the following would be a component of White Spot's general environment?

(A) meat-processing companies that provide its ground beef

(B) consumers who will drive kilometres out of their way to eat a Triple "O" burger

(C) boycotts by organizations such as PETA (People for the Ethical Treatment of Animals)

(D) indications of improved economic growth in the coming year

Answer : (D)

30. Due to increased competition in the shipping industry, companies such as Purolator and CANPAR have implemented new processing methods to move parcels more efficiently. Which environmental component have they addressed?

(A) competitor

(B) economy

(C) technological

(D) sociocultural

Answer : (C)

31. Scenario 2-1
Two home builders are building homes in nearby subdivisions. One is offering 2,500 square foot homes with two-acre yards. The other is offering a similar size of house with quarter-acre yards. The builder offering the smaller lots cannot keep up with demand. The builder offering the larger lots has several unsold houses.

Refer to Scenario 2-1. What could the builder with the larger lots use to determine why his homes are not selling?

(A) proactive customer monitoring

(B) consumer confidence forecasts

(C) demographic information

(D) reactive customer monitoring

Answer : (D)

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Refer to Scenario 2-1. What did the builder with the smaller lots most likely do to determine what home buyers desired?

(A) reactive customer monitoring

(B) proactive customer monitoring

(C) competitive analysis

(D) consumer confidence forecasting

Answer : (B)

33. Vikas learns that customers are not happy with the time it takes servers in his restaurant to bring them their final bill. He informs his servers to make improvements from now on. What kind of monitoring did Vikas use to make this change?

(A) consumer confidence monitoring

(B) competitive analysis monitoring

(C) reactive customer monitoring

(D) proactive customer monitoring

Answer : (C)

34. Which of the following involves determining who your competitors are, anticipating competitors' moves, and assessing competitors' strengths and weaknesses?

(A) competitive mapping

(B) a market audit

(C) a SWOT analysis

(D) a competitive analysis

Answer : (D)

35. Kelty was caught off guard when a new competitor opened across the street. Kelty had spent so much time evaluating the plans of her number one competitor that she failed to properly analyze the actions of other competitors. What did Kelty fail at?

(A) doing a complete analysis of identifying competitors

(B) overestimating her competition

(C) reactive monitoring

(D) relying on competitive intelligence

Answer : (A)

36. What is typically the most important factor in the relationship between companies and their suppliers?

(A) how dependent they are on each other

(B) how much they know about each other

(C) how compatible their organizational cultures are

(D) the type of product being manufactured

Answer : (A)

37. Thomas is preparing for a meeting with one of his two largest customers. Understanding their needs will help Thomas develop a strategy to lobby the government to make changes to regulations affecting the import of his products even though this action could harm the relationship with smaller customers. What does this scenario exemplify?

(A) managerial commitment

(B) buyer dependence

(C) industry regulation

(D) advocacy group activities

Answer : (B)

38. At one time, independent booksellers found it very hard to carry all the books from the different publishers. Creating a centralized warehouse streamlined order and return procedures. What resulted from creating the centralized warehouse?

(A) high buyer dependence on a supplier

(B) pure competition

(C) transactional freedom

(D) high supplier dependence on a buyer

Answer : (A)

39. Small manufacturers often are successful because Wal-Mart agrees to carry their products. If Wal-Mart does not like a price increase, however, it often will refuse to do

business with the manufacturer. At this point, many small manufacturers will offer price reductions-they fear failure if they lose the Wal-Mart account. Which of the following best describes the relationship between these small manufacturers and Wal-Mart?

(A) buyer dependent

(B) relationship based

(C) transformational

(D) supplier dependent

Answer : (A)

40. Which of the following is defined by a high degree of buyer or seller dependence leading to a state in which one party benefits at the expense of the other?

(A) relationship behaviour

(B) transactional behaviour

(C) relational monopoly

(D) opportunistic behaviour

Answer : (D)

41. Uber's entry into Calgary had its bumps along the way-the City of Calgary filed a court injunction claiming Uber had not complied with its bylaws regarding taxis and limousines. Which environmental aspect best defines this impact on Uber's specific environment?

(A) sociocultural aspect

(B) economic aspect

(C) political/legal aspect

(D) industry regulation

Answer : (D)

42. Which of the following is likely to decrease but not eliminate opportunistic behaviour?

(A) buyer dependence

(B) supplier dependence

(C) industry regulation

(D) relationship behaviour

Answer : (D)

43. White Spot is a casual dining restaurant chain that is famous for the Triple "O" sauce on its burgers. Which of the following would be an industry regulation component of White Spot's specific environment?

(A) an increase in the prime lending rate

(B) local health inspectors

(C) class-action suits against all casual dining restaurants

(D) inflation

Answer : (B)

44. The Dairy Famers of Canada took a stance against a recent free trade deal that was likely to dismantle the Canadian dairy production system, arguing that low prices would result in threats to consumers. Which of the following is this ad an example of?

(A) narrowcasting

(B) institutional communications

(C) media advocacy

(D) lobbying

Answer : (C)

45. Which tactic involves an advocacy group actively trying to convince consumers **NOT** to purchase a company's products or services?

(A) lobbying

(B) public communications

(C) media advocacy

(D) boycott

Answer : (D)

46. Advocacy groups use a variety of tactics to convince businesses to comply with their stands on issues. Which of the following advocacy group tactics would be most likely to cause a business to fail?

(A) media advocacy

(B) product boycotts

(C) public communications

(D) lobbying

Answer : (B)

47. What is the first step that managers take to make sense of their changing environments?

(A) environmental scanning

(B) perceptual re-engagement

(C) modification of budgets

(D) benchmarking

Answer : (A)

48. Which of the following is a step in the process that managers use to make sense of their changing environments?

(A) adopting perceptual re-engagement

(B) engaging in environmental laddering

(C) acting on threats and opportunities

(D) creating strategic windows

Answer : (C)

49. Which of the following objectives is unsuitable for environmental scanning?

(A) reducing uncertainty

(B) enabling managers to stay up to date on factors in their industry

(C) helping managers develop and implement their organizational strategies

(D) helping managers develop and sustain their organizational culture

Answer : (D)

50. Simons was one of Canada's first fashion retailers, and has recently expanded outside

Québec. How would Simons view other companies that have a broad presence in fashion retail?

(A) as a weakness

(B) as a risk

(C) as an opportunity

(D) as a threat

Answer : (D)

51. What is the term for the events and trends inside an organization that affect management, employees, and the organizational culture?

(A) managerial environment

(B) internal environment

(C) industry environment

(D) general environment

Answer : (B)

52. What is the term for the set of key values, beliefs, and attitudes shared by members of an organization?

(A) industry code of ethics

(B) internal environment

(C) organizational culture

(D) organizational vision

Answer : (C)

53. A new hire at Henderson Textile Co. was amazed at its employees, who would take 30-minute restroom breaks, leave for the day at 2 p.m., and generally belittle the company's management. Which of the following is likely faulty when such actions have developed among employees?

(A) the general environment

(B) a benchmark

(C) a response to an opportunity

(D) the organizational culture

Answer : (D)

54. Which of the following is a primary source of organizational culture?

(A) the company's founder

(B) the organization's competitive strategy

(C) the industry in which the organization operates

(D) the company's suppliers

Answer : (A)

55. What can an organization use to sustain its organizational culture after its founders are gone?

(A) organizational heroes

(B) organizational structure

(C) organizational maps

(D) organizational design

Answer : (A)

56. Some organizational cultures cannot meet the challenges posed by innovation. BlackBerry squandered the opportunities presented by the smartphone revolution, even though it had produced arguably the world's most widely adopted smartphone at one point. What did its organizational culture lack?

(A) adaptability

(B) synergy

(C) a formula for success laddering

(D) knowledge management

Answer : (A)

57. Which of the following is a characteristic of successful organizational cultures?

(A) unions

(B) advocacy

(C) involvement

(D) competition

Answer : (C)

58. The Edmonton Oilers hockey team develops a sense of history for its current players by displaying successful seasons' banners and the retired numbers of great players in its stadium and locker room. What tactic(s) for maintaining organizational culture are the Oilers using?

(A) organizational complexity and consistency

(B) organizational benchmarking

(C) organizational mapping

(D) organizational stories and heroes

Answer : (D)

59. Hooters is a chain of more than 2,000 restaurants self-described as "delightfully tacky, yet unrefined." The reason the company exists is apparent to all of its employees: its purpose is fun. What is the concept of making eating at a restaurant consistently fun for men an example of?

(A) adaptability

(B) responsiveness

(C) involvement

(D) vision

Answer : (D)

60. One difficulty encountered in a merger is the inability of employees in the two existing organizational cultures to operate harmoniously. Which of the following characteristics do both merging organizational cultures most likely lack?

(A) responsiveness

(B) adaptability

(C) involvement

(D) consistency

Answer : (B)

61. In many failed dot.com companies, lower and middle management adhered to innovation and expected that work would be fun, while top management envisioned profitability, with the elimination of unnecessary expenses. Which of the following did these companies lack in their organizational cultures?

(A) empathy

(B) formalization

(C) consistency

(D) responsiveness

Answer : (C)

62. Two business partners had different ideas about the direction their company should take. As a result, resources were wasted and the company failed due to its inability to compete effectively. What did the business partners **NOT** share?

(A) the same definition of profit

(B) the ability to run an efficient operation

(C) an ability to recognize the level of competition in their business

(D) a clear vision

Answer : (D)

63. An organization's culture exists on three levels. Which of the following is the most visible level?

(A) values and beliefs

(B) artifacts

(C) unconscious assumptions

(D) shared visions

Answer : (B)

64. The president of a company changes the organization's culture. He posts a new vision for higher customer satisfaction clearly for all employees to see, rewards the development of customer relationships, and gives bonuses for winning back lost customers. What did the president address directly to effect the change in culture?

(A) the subconscious codes of conduct employees operate within

(B) employee assumptions and beliefs about the organization

(C) visible artifacts and the behaviour of employees toward customers

(D) the company's mission

Answer : (C)

65. A management team is meeting to strategize how to change the organization's culture to become more customer focused. Which of the following ideas would serve as the best advice?

(A) Send subliminal messages about customer service to their employees' subconscious minds.

(B) Focus on rewarding managers whose groups excel at developing strong customer relations.

(C) Address the unwritten rules about code of conduct and behaviour.

(D) Create stories about customer service and send them through the company's grapevine.

Answer : (B)

66. What is the relationship between change and organizational culture?

(A) Organizational culture is best changed by replacing current employees with new ones.

(B) Organizational culture changes more quickly when new managers are hired.

(C) Agreement among all employees must exist before an organization's culture can change.

(D) Changing employees' assumptions and beliefs about a company can be very difficult.

Answer : (D)

67. What does a consistent organizational culture mean for a company?

(A) A consistent organizational culture does not guarantee good company performance.

(B) A consistent organizational culture that is also strong is always a good culture.

(C) Employees learn consistent organizational cultures on their own.

(D) Having a consistent organizational culture makes adapting to drastic changes easier.

Answer : (A)

68. Which of the following ideas has a company with a successful organizational culture likely adopted?

(A) Employee involvement in decision making often derails consistent corporate culture.

(B) Change should be embraced rather than avoided.

(C) Only upper management should be involved with creating corporate culture.

(D) Successful corporate culture is a short-term phenomenon.

Answer : (B)

69. When Sobeys purchased Canada Safeway, one of the changes made was to feature renowned chef Jamie Oliver on in-store advertising. What is this an example of?

(A) visible artifacts

(B) iconic representations

(C) organizational metaphors

(D) organizational allegories

Answer : (A)

70. A mace is commonly used at a university or college convocation ceremony. The mace was originally a weapon, then became the symbol of government, and now has become the symbol of authority of the institution to grant diplomas or degrees. In terms of organizational culture, what is the mace an example of?

(A) a visible artifact

(B) an iconic representation

(C) an organizational metaphor

(D) an organizational allegory

Answer : (A)

71. Which of the following would be an example of a visible artifact for an organization that is being merged with a large international firm?

(A) personal parking spaces for all salespeople

(B) higher sales

(C) better supplier relations

(D) fewer cash-flow pressures

Answer : (A)

72. Josie is the new manager at a sports apparel company. She finds she gets four days of work from her sales staff as they have always treated Fridays as casual days with long lunches and loafing even though she has requested productivity reports for each day of the week. Which corporate culture characteristic is Josie dealing with?

(A) Corporate cultures are dynamic creations that respond positively to change.

(B) Corporate culture are unaffected by changes in perks, office layouts, or work relationships.

(C) Corporate cultures are very difficult to change.

(D) Corporate cultures require a manager who wants to modify one to hire new employees.

Answer : (C)

73. The Canadian arm of American Express uses cubicles for many of its employees. Each employee must reserve their cubicle daily. Employees are forbidden from personalizing their cubicles. If American Express wanted to change its organizational culture, what could it begin with?

(A) creating a new human resource department

(B) hiring a cultural ombudsperson

(C) adhering to affirmative action regulations

(D) allowing employees to use assigned work spaces longer term

Answer : (D)

74. Which of the following is a viable strategy for developing a consistent organizational culture?

(A) Create a clear company vision.

(B) Allow workers to set their own goals and strategies to achieve them.

(C) Select job applicants who seem to dislike confrontation.

(D) Eliminate the company dress code.

Answer : (A)

75. Narrative 2-1
Dofasco Inc. is a different kind of steel company. Tiny by industry standards, the Canadian-based company has just 8,500 employees and a market cap of $2.3 billion. Dofasco operates with a close eye on the "triple bottom line." In addition to tracking financial metrics, Dofasco also monitors its impact on society and the environment. As a result, the company has outperformed many of its biggest competitors. Despite a recent slump in the automobile industry, which accounted for 50 percent of its business, Dofasco ran at 100 percent capacity and finished as one of the only integrated steelmakers in all of North America to make a profit that year. Dofasco is also one of the only companies in the steel industry without a union, and its employees like it that way. Employee turnover at the company's main operation is less than one percent annually. Part of its low turnover rate is due to the company's concern about protecting its external environment. As the CEO of the company said, "One way to get happy employees is not to wreck their community in which they live."

Refer to Narrative 2-1. Dofasco operates according to the punctuated equilibrium theory. Which statement explains what this means for the company?

(A) Dofasco incorporates both planning and control within its long-term strategy.

(B) Dofasco operates with a virtually flat organizational structure.

(C) Dofasco has periods of long stability interrupted by short periods of dynamic change.

(D) Dofasco motivates its employees by maintaining a salary/wage equilibrium.

Answer : (C)

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Refer to Narrative 2-1. Which component of Dofasco's environment would the slump in the automobile industry be part of?

(A) indirect

(B) general

(C) competitive

(D) primary

Answer : (B)

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Refer to Narrative 2-1. Which component of Dofasco's environment would be affected by the fact that Ford purchased less steel from Dofasco during the auto industry's slump?

(A) specific

(B) competitive

(C) economic

(D) general

Answer : (A)

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Refer to Narrative 2-1. Rio Tinto is another steel producer in Canada. Which aspect of Dofasco's specific environment is Rio Tinto part of?

(A) international

(B) technological

(C) indirect

(D) competitor

Answer : (D)

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Refer to Narrative 2-1. Which technique would Dofasco most likely have used to keep apprised of environmental changes that could affect how the company does business?

(A) a social audit

(B) multi-attribute research

(C) environmental resolution

(D) environmental scanning

Answer : (D)

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Refer to Narrative 2-1. What is the company's commitment to the "triple bottom line" and to keeping its employees happy indicative of?

(A) organizational hierarchy

(B) organizational culture

(C) general environment

(D) specific environment

Answer : (B)

TRUEFALSE

81. The two kinds of external organizational environments are the general environment that affects all organizations and the specific environment that is unique to each company.

(A) True

(B) False

Answer : (A)

82. External environments are the forces and events outside a company that have the potential to influence or affect it.

(A) True

(B) False

Answer : (A)

83. According to its rate of environmental change, an organization's environment can be either stable or dynamic, but not both.

(A) True

(B) False

Answer : (B)

84. Environmental complexity refers to the degree of change in the external factors that affect organizations.

(A) True

(B) False

Answer : (B)

85. Resource scarcity is the degree to which an organization's external environment has an abundance or lack of critical organizational resources.

(A) True

(B) False

Answer : (A)

86. Environmental uncertainty can be expected to increase under conditions in which rates of environmental change and complexity go up and environmental resources become scarce.

(A) True

(B) False

Answer : (A)

87. A company's general environment consists of the economy and the technological, sociocultural, and political/legal trends that indirectly affect all organizations.

(A) True

(B) False

Answer : (A)

88. The general environment is unique to each firm's industry and directly affects the way each organization conducts day-to-day business.

(A) True

(B) False

Answer : (B)

89. Changes in any sector of the general environment eventually affect most organizations.

(A) True

(B) False

Answer : (A)

90. The specific segment of an organization's external environment is unique to its region of the country.

(A) True

(B) False

Answer : (B)

91. Business confidence indices are a viable alternative to economic statistics for management decision making.

(A) True

(B) False

Answer : (A)

92. Managers often prefer economic statistics to business confidence indices as tools for managerial decision making because of their inherently greater accuracy.

(A) True

(B) False

Answer : (B)

93. The best way to manage legal responsibilities is to retain a large staff of legal specialists to defend the company against any charges.

(A) True

(B) False

Answer : (B)

94. In contrast to the general segment of the external environment that *directly* influences an organization, changes in the specific segment of an organization's external environment *indirectly* affect the way a company conducts its business.

(A) True

(B) False

Answer : (B)

95. Proactive customer monitoring involves identifying and addressing customer trends and problems after they occur.

(A) True

(B) False

Answer : (B)

96. Managers often do a poor job of identifying potential competitors.

(A) True

(B) False

Answer : (A)

97. Buyer dependence is the degree to which a company relies on a supplier because of the importance of the supplier's product to the company and the difficulty of finding other sources of that product.

(A) True

(B) False

Answer : (B)

98. A decrease in either buyer dependence or supplier dependence can lead to opportunistic behaviour.

(A) True

(B) False

Answer : (B)

99. Advocacy groups are typically composed of concerned citizens who have a strong feeling about a common issue, even though the members' points of view may differ significantly.

(A) True

(B) False

Answer : (B)

100. Three techniques that can be used by advocacy groups to influence companies are public communications, media advocacy, and product boycotts.

(A) True

(B) False

Answer : (A)

101. Advocacy groups cannot directly regulate organizational practices.

(A) True

(B) False

Answer : (A)

102. Because external environments can be dynamic, confusing, and complex, managers use a three-step process to make sense of the changes in their external environments. Those steps are (1) environmental scanning, (2) interpreting environmental factors, and (3) acting on threats and opportunities.

(A) True

(B) False

Answer : (A)

103. Managers can make sense of their changing external environments only by completing all three of the following steps: environmental scanning, interpreting environmental factors, and acting on threats and opportunities.

(A) True

(B) False

Answer : (A)

104. Organizational culture refers to the set of key values, beliefs, and attitudes shared by organizational members.

(A) True

(B) False

Answer : (A)

105. A primary source of organizational culture is the company founder.

(A) True

(B) False

Answer : (A)

106. After the company founders are gone, stories and heroes can help to sustain the founders' values, attitudes, and beliefs in the organizational culture.

(A) True

(B) False

Answer : (A)

107. Organizational heroes are used to make sense of organizational events and changes.

(A) True

(B) False

Answer : (B)

108. Extensive research demonstrates clearly that organizational culture is strongly related to organizational success.

(A) True

(B) False

Answer : (B)

109. Successful organizational cultures seem to be based solely upon consistency, that is, the "strength" of the organizational culture.

(A) True

(B) False

Answer : (B)

110. A company's culture defines the organization's purpose or reason for existing.

(A) True

(B) False

Answer : (B)

111. Technology is the computers and information systems advances that all companies need to keep up with their competitors and customer expectations.

(A) True

(B) False

Answer : (B)

112. Sociocultural factors indirectly affect organizational success when entering foreign markets.

(A) True

(B) False

Answer : (B)

113. Following the 2016 election of President Trump in the United States, companies began the process of environmental scanning to know how to respond to his election.

(A) True

(B) False

Answer : (B)

114. Typically, managers view environmental events and issues as either weaknesses or opportunities.

(A) True

(B) False

Answer : (B)

115. Managers should be completely confident in their responses to threats or opportunities.

(A) True

(B) False

Answer : (B)

ESSAY

116. Briefly differentiate between the external and internal environments that companies face, and explain why these environments are important.

Graders Info :

The external and internal environments that companies face refer to two different sets of forces that affect those organizations. *External* environments are the forces and events outside a company that have the potential to influence or affect it. The *internal* environment, on the other hand, consists of the trends and events within an organization that affect the management, employees, and organizational culture. Thus, one set of forces exists outside of the organization, while the other set of forces exists within the organization. In order to be successful, companies must continually adapt to changes in both sets of forces.

117. Briefly define and explain the relationship among environmental change, complexity, uncertainty, and resource scarcity.

Graders Info :

There are three basic characteristics of changing external environments: (1) *environmental change* (the rate at which a company's general and specific environments change); (2) *environmental complexity* (the number of external factors in the environment that affect organizations); and (3) *resource scarcity* (the degree to which an organization's external environment has an abundance or scarcity of critical organizational resources). Environmental change, complexity, and resources (e.g., munificence) affect environmental *uncertainty*, which is how well managers can understand or predict the external changes and trends affecting their businesses.

118. Compare and contrast the general environment with the specific environment faced by a company.

Graders Info :

Both the general and specific environments faced by a company are considered part of the external environment facing the firm, as opposed to part of the firm's internal environment. It is here that the similarity ends, however. The *general* environment consists of the economy and the technological, sociocultural, and political/legal trends that indirectly affect all organizations. Changes in any sector of the general environment eventually affect most organizations. By contrast, each organization has a specific environment that is unique to that firm's industry and directly affects the way it conducts day-to-day business. The *specific* environment includes customers, competitors, suppliers, industry regulations, and advocacy groups.

119. Briefly identify the two predictors of future economic activity that are available to

managers for decision making. Specify which predictor managers typically prefer.

Graders Info :

Two types of predictors of future economic activity are available for managerial use in decision making. These are *economic statistics* and *business confidence indices*. Unfortunately, the economic statistics that managers rely on are notoriously poor predictors of future economic activity. Because of this, managers often prefer to use business confidence indices, which are measures of how confident managers are about future business growth. Managers often prefer business confidence indices to economic statistics because they know that the level of confidence reported by real managers affects their business decisions. In other words, it's reasonable to expect managers to make decisions today that are in line with their expectations concerning the economy's future.

120. Identify and provide examples of the two important ways in which sociocultural changes and trends influence organizations.

Graders Info :

Sociocultural changes and trends influence organizations in two important ways. First, changing demographic characteristics, such as the number of people with particular skills, or the growth or decline in particular population segments (single or married; old or young; men or women; or whites, blacks, Hispanics, or Asians; and so on) affects how companies run their businesses. For example, because of changes in the percentage of working mothers, many more companies now offer childcare as a benefit to attract and retain scarce, talented workers of both genders. Second, sociocultural changes in behaviour, attitudes, and beliefs also affect the demand for a business's products and services. One consequence of the large number of working women is that companies such as Avon and Tupperware now get more of their sales from rush-hour and lunchtime "parties" in workplaces than from "parties" in people's living rooms.

121. Identify the major concern facing businesses from the perspective of the political/legal component of the general environment. What is the most appropriate action that businesses can take to manage their legal responsibilities?

Graders Info :

The political/legal component of the general environment includes the legislation, regulations, and court decisions that govern and regulate business behaviour. Throughout the last decade, new legislation and regulations have placed additional responsibilities on companies. Unfortunately, many managers are unaware of these new responsibilities. The best way to manage legal responsibilities is to educate managers and employees about laws and regulations and potential lawsuits that could affect a business.

122. Briefly differentiate the two basic approaches used for monitoring customers.

Graders Info :

There are two basic strategies for monitoring customers: reactive and proactive. *Reactive* customer monitoring consists of identifying and addressing customer trends and problems after they occur. Listening closely to customer complaints is one good way to do this. *Proactive* customer monitoring, on the other hand, entails trying to sense events, trends, and problems before they occur (or before customers complain).

123. Define advocacy groups. List the three approaches to influencing businesses that they are likely to use. Specify which one of these three is most likely to have an impact on company sales and profits.

Graders Info :

Advocacy groups are groups of concerned citizens who band together to try to influence the business practices of specific industries, businesses, and professions. Advocacy groups cannot force organizations to change their practices; however, they can use three techniques to try to influence companies: public communications, media advocacy, and product boycotts. Product boycotts are most likely to significantly reduce company sales and profits.

124. List and briefly define the four characteristics of successful organizational cultures.

Graders Info :

The four characteristics of successful organizational cultures are (1) *adaptability*, which is the ability to notice and respond to changes in the organization's environment; (2) *involvement*, which refers to the promotion of employee participation in decision making, often through enhanced autonomy, accountability, and responsibility; (3) *a clear vision* , which refers to a company's vision, its purpose or reason for existing; and finally (4) *consistency*, which refers to a culture in which the company actively defines and teaches organizational values, beliefs, and attitudes.

125. Describe the three levels of organizational culture and what managers should focus on to bring about change to the culture.

Graders Info :

Changing organizational culture is a very difficult process. It requires patience, vigilance, and a focus on changing the parts of an organizational culture that managers can control.

There are three levels of organizational culture. On the first, or surface, level are the elements of an organization's culture that can be seen and observed, such as symbolic artifacts (e.g., dress codes and office layouts) and workers' and managers' behaviours. Next, just below the surface, are the values and beliefs expressed by people in the company. These values and beliefs cannot be seen, but they become clear if you listen carefully to what people say and to how decisions are made or explained. Finally, unconsciously held assumptions and beliefs about the company are buried deep below the surface. These are the unwritten views and rules that are so strongly held and so widely shared that they are rarely discussed or even thought about unless someone attempts to change them or unknowingly violates them. Changing such assumptions and beliefs can be hard to do. Instead, managers should focus on the parts of the organizational culture they can control. These include observable surface-level items, such as workers' behaviours and symbolic artifacts, as well as expressed values and beliefs, which can be influenced through employee selection.

126. Describe environmental change and its relationship to punctuated equilibrium theory. Give an example of an industry whose environment has been characterized by the punctuated equilibrium model in recent years.

Graders Info :

Environmental change is the rate at which a company's general and specific environments change. In *stable environments*, the rate of environmental change is slow. In *dynamic environments*, the rate of environmental change is fast. While companies would seem to be in either stable external environments *or* dynamic external environments, recent research suggests that companies often experience both stable and dynamic external environments. According to *punctuated equilibrium theory*, companies go through long, simple periods of stability (equilibrium), followed by short, complex periods of dynamic, fundamental change (revolutionary periods), finishing with a return to stability (new equilibrium). One example of punctuated equilibrium is the Canadian airline industry. Twice in the past 30 years, the Canadian airline industry has experienced revolutionary periods. The first occurred with the advent of airline deregulation, which began in 1978 in response to U.S. deregulation. Prior to deregulation, the industry was dominated by the "friendly duopoly" of CP Air and Air Canada, which shared over 95 percent of the market; however, the federal government controlled where airlines could fly, when they could fly, how much they could charge, and how many flights they could have on a particular route. Although full deregulation was not seen in Canada until 1988, airlines had more choices to make. Many competitors-such as Wardair, which was primarily a charter airline, and Pacific Western Airlines, a regional carrier-expanded, and new air carriers were started. Competition among the airlines was fierce, and Pacific Western purchased several smaller airlines, including Wardair. In 1987 it purchased the much larger CP Air to form Canadian Airlines. Canadian Airlines was a truly national carrier; although somewhat smaller than Air Canada, it was in a position to compete with Air Canada on an even basis.

After substantially increased competition, two companies again dominated the skies-

Canadian Airlines and Air Canada-and a period of relative stability developed. The dominance of these two carriers was first seriously challenged in 1996 with the emergence of WestJet Airlines, which started as a Western-based airline. Canadian, too, was a Western-based airline. Competition once again increased, and a faltering Canadian Airlines was purchased by Air Canada in 2000, leaving only two national carriers, Air Canada and WestJet. Several smaller carriers tried to take advantage of the failure of Canadian Airlines; some of these have since gone bankrupt. Now Air Canada and WestJet dominate the Canadian skies, and no serious challengers are on the horizon. These two periods of stability followed by revolution and regained stability illustrate the punctuated equilibrium theory well.

127. Identify and discuss the implications of changes in the political/legal component of the general environment facing organizations over the past decade. Give one example of a relevant recent change. What is the best way for companies to manage their legal responsibilities?

Graders Info :

New laws and regulations continue to impose additional responsibilities on companies. For example, in British Columbia, Bill 14 introduced amendments to the B.C. Workers' Compensation Act which allow employees who have been the target of bullying or harassment to have a potential worker's compensation claim for a mental disorder if that disorder was in reaction to a traumatic event in the work environment, or was caused by a work-related stressor. Passed in 2012, Bill 14 specifies that employers must create policies that define what constitutes bullying and harassment and also educate employees within the organization on how to deal with bullying in the workplace. In 2015, the Ontario provincial government passed the Making Healthier Choices Act banning flavoured tobacco products, regulating the sale and advertising of electronic cigarettes and where they can be used, as well as requiring fast-food restaurant chains to include calorie counts on their menus. The legislation is aimed at reducing smoking rates as well as lowering obesity by helping families make informed and healthy food choices. Even though legal systems differ between Canada and the United States, there is sometimes a trickle-down effect whereby a law introduced in the United States may result in the passing of similar legislation in Canada. Most recently, an increasing number of climate change lawsuits levelled against U.S. oil companies, auto makers, and electrical utilities has signalled to many Canadian companies and legal advisers that it would be wise to prepare for similar developments in Canada. From a managerial perspective, the best medicine against legal risk is prevention. Managers are responsible for educating themselves about the laws, regulations, and potential lawsuits that could affect their businesses.

(NB: Other potential examples may be adduced by students, including Canada's Anti-Spam Legislation [CASL], the introduction of carbon taxes in Alberta, e-cigarette/flavoured tobacco legislation in Newfoundland, or signage regulations in Québec.)

128. Define advocacy groups. Explain the basic techniques that advocacy groups use to

achieve their goals. Provide one example of the use of advocacy techniques.

Graders Info :

Advocacy groups are groups of concerned citizens who band together to try to influence the business practices of specific industries, businesses, and professions. The members of a group generally share the same point of view on a particular issue. For example, environmental advocacy groups might try to get manufacturers to reduce smokestack pollution emissions. Unlike the industry regulation component of the specific environment, advocacy groups cannot force organizations to change their practices. However, they can use a number of techniques to try to influence companies: public communications, media advocacy, and product boycotts. The *public communications* approach relies on voluntary participation by the news media and the advertising industry to get an advocacy group's message out. In contrast to the public communications approach, media advocacy is a much more aggressive form of advocacy. A *media advocacy* approach typically involves framing issues as public issues (i.e., issues affecting everyone); exposing questionable, exploitative, or unethical practices; and forcing media coverage by buying media time or creating controversy that is likely to receive extensive news coverage. A *product boycott* is a tactic in which an advocacy group actively tries to convince consumers to not purchase a company's product or service. Boycotts can significantly reduce company sales and profits.

The text uses PETA and RAN as examples. Students may have other equally good examples.

129. Identify and explain the three-step process that managers use to make sense of changes in their external environments. Explain how environmental scanning contributes to organizational performance.

Graders Info :

Because external environments can be dynamic, confusing, and complex, managers use a three-step process to make sense of the changes in their external environments: (1) environmental scanning, (2) interpreting environmental factors, and (3) acting on threats and opportunities. *Environmental scanning* is searching the environment for important events or issues that might affect an organization. Managers scan their environments based on their organizational strategies, their need for up-to-date information, and their need to reduce uncertainty. After scanning, managers *determine what environmental events and issues mean to the organization*. Typically, managers either view environmental events and issues as threats or opportunities. *When managers identify environmental events as threats*, they take steps to protect the company from harm. *When managers identify environmental events as opportunities*, they formulate alternatives for taking advantage of them to improve company performance.

Environmental scanning is important because it contributes to organizational performance. It helps managers detect environmental changes and problems before they become

organizational crises. Companies led by CEOs who do more environmental scanning have higher profits. CEOs in better performing firms scan the environments in which their firms operate more frequently and scan more key factors in their environments in more depth and detail than do CEOs in poorer performing firms.

130. List and describe the four characteristics of successful organizational cultures and explain what is meant by success in this context. Identify an organization that you are aware of that seems to have a successful organizational culture, and characterize that organization on each of these four dimensions. Can an organization still have a successful culture if it is weak on one of these dimensions?

Graders Info :

Preliminary research shows that organizational culture is related to organizational success. The four characteristics of successful organizational cultures are adaptability, involvement, a clear vision, and consistency. The research shows that cultures based on these four characteristics can help companies achieve higher sales growth, return on assets, profits, quality, and employee satisfaction. The specifics of these four characteristics are as follows: *Adaptability* is the ability to notice and respond to changes in the organization's environment. *Involvement* refers to the promotion of employee participation in decision making, often through enhanced autonomy, accountability, and responsibility. A *clear vision* refers to a company's vision, its purpose or reason for existing. Finally, *consistency* refers to a culture in which the company actively defines and teaches organizational values, beliefs, and attitudes.

Student examples may vary widely, but should systematically comment on each of the four dimensions. Since an organization could still be considered successful even if weak on one dimension, students should take this into account in their individual assessments.