

***Organizational Theory, Design, and Change, 7e (Jones)***

**Chapter 11 Organizational Transformations: Birth, Growth, Decline, and Death**

1) All the organizations pass through the four principal stages of the organizational life cycle at the same rate.

Answer: FALSE

Page Ref: 305

Difficulty: Moderate

LO: 11-1

2) The organizational growth stage in the organizational life cycle is associated with the greatest chance of failure.

Answer: FALSE

Page Ref: 306

Difficulty: Easy

LO: 11-1

3) The term "liability of newness" refers to the dangers associated with being the first to operate in a new environment.

Answer: TRUE

Page Ref: 306

Difficulty: Easy

LO: 11-1

4) Population ecology theory seeks to explain the factors that affect the rate at which new organizations are born (and die) in a population of existing organizations.

Answer: TRUE

Page Ref: 309

Difficulty: Easy

LO: 11-1

5) A "population of organizations" comprises the organizations that are going through the same stage of organizational life cycle at the same time.

Answer: FALSE

Page Ref: 309

Difficulty: Moderate

LO: 11-1

6) The term environmental niche refers to a particular set of resources or skills.

Answer: TRUE

Page Ref: 309

Difficulty: Easy

LO: 11-1

7) According to population ecology theory, the availability of resources determines the number of organizations in a population.

Answer: TRUE

Page Ref: 310

Difficulty: Easy

LO: 11-1

8) The term population density refers to the number of organizations that have the same rate of growth in a particular industrial segment.

Answer: FALSE

Page Ref: 310

Difficulty: Easy

LO: 11-1

9) According to population ecology theory, the rate of birth in a new environment increases rapidly at first and then tapers off.

Answer: TRUE

Page Ref: 310

Difficulty: Easy

LO: 11-1

10) Organizations that follow a K-strategy are founded early in a new environment—they are early entrants.

Answer: FALSE

Page Ref: 311

Difficulty: Easy

LO: 11-1

11) Organizations that follow an r-strategy are usually established in other environments and wait to enter a new environment until the uncertainty in that environment is reduced and the correct way to compete is apparent.

Answer: FALSE

Page Ref: 311

Difficulty: Easy

LO: 11-2

12) Specialist organizations concentrate their competences and skills to compete for resources in a single niche.

Answer: TRUE

Page Ref: 312

Difficulty: Easy

LO: 11-1

13) Specialists can often outcompete generalists when there is considerable uncertainty in the environment.

Answer: FALSE

Page Ref: 312

Difficulty: Easy

LO: 11-1

14) Specialists and generalists normally coexist in many environments.

Answer: TRUE

Page Ref: 312

Difficulty: Easy

LO: 11-1

15) Early in an environment, as a niche develops and new resources become available, new organizations that begin to operate in this niche tend to be K-generalists.

Answer: FALSE

Page Ref: 312

Difficulty: Easy

LO: 11-1

16) Natural selection is the process that ensures the survival of the organizations that have the skills and abilities that best fit with the environment.

Answer: TRUE

Page Ref: 313

Difficulty: Easy

LO: 11-1

17) Growth allows an organization to increase its division of labor and specialization.

Answer: TRUE

Page Ref: 314

Difficulty: Easy

LO: 11-2

18) The Institutional theory argues that the organizations operating in uncertain environments should use a tall hierarchy of authority.

Answer: FALSE

Page Ref: 315

Difficulty: Easy

LO: 11-2

19) The institutional environment is the set of values and norms that govern the behavior of a population of organizations.

Answer: TRUE

Page Ref: 315

Difficulty: Easy

LO: 11-2

20) Organizational isomorphism is the process by which organizations in a population become more alike or similar.

Answer: TRUE

Page Ref: 315

Difficulty: Easy

LO: 11-2

21) Isomorphism is normative when organizations intentionally imitate and copy one another to increase their legitimacy.

Answer: FALSE

Page Ref: 315

Difficulty: Easy

LO: 11-2

22) Isomorphism is normative when organizations come to resemble one another over time because they indirectly adopt the norms and values of other organizations in the environment.

Answer: TRUE

Page Ref: 316

Difficulty: Easy

LO: 11-2

23) Managers and employees frequently move from one organization to another and bring with them the norms and values of their former employers. This leads to coercive isomorphism.

Answer: FALSE

Page Ref: 316

Difficulty: Easy

LO: 11-2

24) The first stage of growth in Greiner's model of organizational growth is "growth through delegation."

Answer: FALSE

Page Ref: 317

Difficulty: Easy

LO: 11-2

25) According to Greiner's model of organizational growth, during the "growth through direction stage" an organization experiences a crisis of autonomy.

Answer: TRUE

Page Ref: 318

Difficulty: Easy

LO: 11-2

26) According to Greiner's model of organizational growth, the stage of "growth through collaboration" immediately follows the stage of "growth through direction."

Answer: FALSE

Page Ref: 318

Difficulty: Easy

LO: 11-2

27) According to Greiner's model of organizational growth, organizations experience a crisis of control during the "growth through creativity" stage.

Answer: FALSE

Page Ref: 319

Difficulty: Easy

LO: 11-2

28) The term "organizational inertia" refers to the forces outside an organization that make it difficult for the organization to change.

Answer: FALSE

Page Ref: 323

Difficulty: Moderate

LO: 11-3

29) According to Weitzel and Jonsson's model of organizational decline, "faulty action" is the first stage of decline.

Answer: FALSE

Page Ref: 325

Difficulty: Easy

LO: 11-3

30) According to Weitzel and Jonsson's model of organizational decline, when an organization reaches the dissolution stage, it cannot recover, and decline is irreversible.

Answer: TRUE

Page Ref: 327

Difficulty: Easy

LO: 11-3

31) Which of the following terms refers to a sequence of stages of growth and development through which organizations may pass?

A) organizational life cycle

B) organizational integration

C) organizational metamorphosis

D) organizational decentralization

Answer: A

Page Ref: 305

Difficulty: Easy

LO: 11-1

32) Which of the following stages of the organizational life cycle is associated with the greatest chance of failure?

- A) organizational growth
- B) organizational death
- C) organizational decline
- D) organizational birth

Answer: D

Page Ref: 306

Difficulty: Easy

LO: 11-1

33) Organizations are born when people called \_\_\_\_\_ recognize and take advantage of opportunities to use their skills and competences to create value.

- A) boundary spanners
- B) entrepreneurs
- C) whistle-blowers
- D) free riders

Answer: B

Page Ref: 306

Difficulty: Easy

LO: 11-1

34) The dangers associated with being the first to operate in a novel environment is known as the \_\_\_\_\_.

- A) external liability
- B) liability of inertia
- C) liability of newness
- D) dependence liability

Answer: C

Page Ref: 306

Difficulty: Easy

LO: 11-1

35) Which of the following theories seeks to explain the factors that affect the rate at which new organizations are born (and die) in a population of existing organizations?

- A) contingency theory
- B) population ecology theory
- C) institutional theory
- D) transaction cost theory

Answer: B

Page Ref: 309

Difficulty: Easy

LO: 11-1

36) The term \_\_\_\_\_ of organization refers to the organizations that are competing for the same set of resources in the environment.

- A) population
- B) cluster
- C) conglomeration
- D) aggregation

Answer: A

Page Ref: 309

Difficulty: Easy

LO: 11-1

37) All the fast-food restaurants in Houston, Texas, compete to obtain environmental resources in the form of dollars that people are willing to spend on to obtain food conveniently. This group of restaurants is an example of a(n) \_\_\_\_\_.

- A) group of boundary spanners
- B) cluster of environmental niches
- C) aggregation of marketers
- D) population of organizations

Answer: D

Page Ref: 309

Difficulty: Easy

LO: 11-1

38) Which of the following terms refers to a particular set of resources or skills?

- A) population density
- B) environmental niche
- C) clustered skill set
- D) resource conglomeration

Answer: B

Page Ref: 309

Difficulty: Easy

LO: 11-1

39) According to population ecology theory, \_\_\_\_\_.

- A) organizations experience the greatest risk of failure during the growth stage of the organizational life cycle
- B) the number of organizations in a population is determined by the availability of resources
- C) all the organizations move through the four stages of the life cycle but at different rates
- D) shareholders are the most important stakeholders in an organization

Answer: B

Page Ref: 310

Difficulty: Hard

LO: 11-1

- 40) The term population density refers to the number of organizations that \_\_\_\_\_.
- A) have the same rate of growth in a particular industrial segment
  - B) operate in the same market segment and employ more than 1000 employees
  - C) can compete for the same resources in a particular environment
  - D) are at the same stage in the organizational life cycle at a particular time

Answer: C

Page Ref: 310

Difficulty: Moderate

LO: 11-1

- 41) According to the population ecology theory, the number of organizational births in a new environment is rapid at first because \_\_\_\_\_.

- A) the organizations have very few external stakeholders
- B) there is an increase in the knowledge and skills available to generate similar new organizations
- C) the environment of the organizations is highly stable
- D) the bargaining power of the suppliers of the organizations is high

Answer: B

Page Ref: 310

Difficulty: Moderate

LO: 11-1

- 42) Which of the following statements is most likely to be true regarding an organization that follows an r-strategy?

- A) Organizations following an r-strategy always concentrate their competences and skills to compete for resources in a single niche.
- B) Typically, organizations use an r-strategy when they are operating in an oligopoly.
- C) An organization following an r-strategy obtains first-mover advantages.
- D) Typically, an r-strategy is used by that organization which has diversified its business in unrelated areas.

Answer: C

Page Ref: 311

Difficulty: Moderate

LO: 11-1



43) Which of the following statements is most likely to be true regarding an organization that follows a K-strategy?

- A) Typically, organizations use a K-strategy when they have a monopoly in the industry.
- B) Organizations following a K-strategy always concentrate their competences and skills to compete for resources in a single niche.
- C) Typically the K-strategy is used by organizations for the introduction of highly complex technical products.
- D) Organizations following a K-strategy wait to enter a new environment until the uncertainty in that environment is reduced.

Answer: D

Page Ref: 311

Difficulty: Moderate

LO: 11-1

44) The benefits an organization derives from being an early entrant into a new environment are called \_\_\_\_\_.

- A) whistle-blower's advantages
- B) advantages of clustering
- C) first-mover advantages
- D) advantages of boundary spanning

Answer: C

Page Ref: 311

Difficulty: Easy

LO: 11-1

45) Population ecologists have identified two sets of strategies that organizations can use to gain access to resources and enhance their chances of survival in the environment. Which of the following is one of these strategies?

- A) vertical integration strategy
- B) related diversification strategy
- C) r-strategy
- D) cost leadership strategy

Answer: C

Page Ref: 311

Difficulty: Easy

LO: 11-1

46) According to the population ecology theory, which of the following strategies advocates entering an environment late, after the uncertainty in that environment is reduced and the correct way to compete is apparent?

- A) r-strategy
- B) generalist strategy
- C) K-strategy
- D) specialist strategy

Answer: C

Page Ref: 311

Difficulty: Easy

LO: 11-1

47) According to the population ecology theory, which of the following strategies advocates entering a new environment early?

- A) r-strategy
- B) K-strategy
- C) generalist strategy
- D) specialist strategy

Answer: A

Page Ref: 311

Difficulty: Easy

LO: 11-1

48) A large video company observes that smaller companies are having success with pay-per-view movies and decides to enter the pay-per-view market. According to the population ecology theory, which of the following strategies is being followed by the large video company?

- A) r-strategy
- B) K-strategy
- C) specialist strategy
- D) generalist strategy

Answer: B

Page Ref: 311

Difficulty: Moderate

LO: 11-1

49) \_\_\_\_\_ use their well-developed competences to compete for resources in many or all niches in an environment.

- A) Organizations following an r-strategy
- B) Generalist organizations
- C) Organizations following a K-strategy
- D) Specialist organizations

Answer: B

Page Ref: 312

Difficulty: Easy

LO: 11-1

- 50) Which of the following statements is most likely to be true about generalists?
- A) Generalists concentrate their competences and skills to compete for resources in a single niche.
  - B) Generalists are more likely to use matrix organizational structure than specialists.
  - C) Generalists are more likely to use product differentiation strategy than the specialists.
  - D) Generalists can often outcompete specialists when there is considerable uncertainty in the environment.

Answer: D

Page Ref: 312

Difficulty: Moderate

LO: 11-1

- 51) \_\_\_\_\_ concentrate their competences and skills to compete for resources in a single niche.

- A) Organizations pursuing r-strategy
- B) Generalist organizations
- C) Organizations pursuing K-strategy
- D) Specialist organizations

Answer: D

Page Ref: 312

Difficulty: Easy

LO: 11-1

- 52) Which of the following statements is most likely to be true about specialists?
- A) Specialists compete for resources in many or all niches in an environment.
  - B) Typically, a specialist is better able to survive in an uncertain environment than a generalist.
  - C) Specialists are often able to develop core competences that allow them to outperform generalists in that niche.
  - D) As compared to generalists, specialists produce a wider range of products.

Answer: C

Page Ref: 312

Difficulty: Moderate

LO: 11-1

- 53) An entrepreneur designs a new product. Which of the following strategies is most likely to be pursued by the entrepreneur?

- A) r-specialist
- B) r-generalist
- C) K-specialist
- D) K-generalist

Answer: A

Page Ref: 312

Difficulty: Easy

LO: 11-1

54) A large, established organization pursues a broad range of resources in many niches. This company created a new niche in which a new firm could enter and survive. Which of the following strategies is most likely to be used by the organization that enters the newly created niche?

- A) r-specialist
- B) r-generalist
- C) K-specialist
- D) K-generalist

Answer: C

Page Ref: 312

Difficulty: Easy

LO: 11-1

55) Early in an environment, as a niche develops and new resources become available, new organizations that begin to operate in this niche are likely to be \_\_\_\_\_.

- A) K-specialists
- B) r-specialists
- C) K-generalists
- D) r-generalists

Answer: B

Page Ref: 312

Difficulty: Easy

LO: 11-1

56) \_\_\_\_\_ is the process that ensures the survival of the organizations that have the skills and abilities that best fit the environment.

- A) Triangulation
- B) Stimulus generalization
- C) Natural selection
- D) Habituation

Answer: C

Page Ref: 313

Difficulty: Easy

LO: 11-1

57) Organizational \_\_\_\_\_ is the life cycle stage in which organizations develop value-creation skills and competences that allow them to acquire additional resources.

- A) growth
- B) clustering
- C) birth
- D) decline

Answer: A

Page Ref: 314

Difficulty: Easy

LO: 11-2

58) The \_\_\_\_\_ is the set of values and norms that govern the behavior of a population of organizations.

- A) environmental benchmark
- B) cultural cluster
- C) population density
- D) institutional environment

Answer: D

Page Ref: 315

Difficulty: Easy

LO: 11-2

59) Which of the following theories proposes that an organization must gain legitimacy in the eyes of stakeholders in order to grow and survive?

- A) Greiner's theory
- B) population ecology theory
- C) institutional theory
- D) contingency theory

Answer: C

Page Ref: 315

Difficulty: Easy

LO: 11-2

60) An organization that increasingly depends on other organizations will tend to adopt their values and norms so it will become increasingly similar to them. This is an example of \_\_\_\_\_.

- A) coercive isomorphism
- B) environmental institutionalization
- C) normative isomorphism
- D) natural selection

Answer: A

Page Ref: 315

Difficulty: Moderate

LO: 11-2

61) \_\_\_\_\_ is the process by which organizations in a population become more alike or similar.

- A) Natural selection
- B) Cultural clustering
- C) Organizational isomorphism
- D) Organizational institutionalization

Answer: C

Page Ref: 315

Difficulty: Easy

LO: 11-2

62) A new organization tends to imitate the structure and processes of successful organizations when the environment is highly uncertain and so it needs to search for a structure, strategy, culture, and technology that will increase its chance of survival. This process of imitation results in \_\_\_\_\_ isomorphism.

- A) mimetic
- B) normative
- C) coercive
- D) natural

Answer: A

Page Ref: 315

Difficulty: Easy

LO: 11-2

63) \_\_\_\_\_ isomorphism results when organizations are forced to adopt nondiscriminatory equitable hiring practices because they are mandated by law.

- A) Coercive
- B) Mimetic
- C) Normative
- D) Natural

Answer: A

Page Ref: 315

Difficulty: Easy

LO: 11-2

64) An auto manufacturer increased its effectiveness by implementing total quality management (TQM). Many other companies have intentionally imitated this manufacturer in order to increase their effectiveness. This is an example of \_\_\_\_\_ isomorphism.

- A) coercive
- B) mimetic
- C) normative
- D) natural

Answer: B

Page Ref: 315

Difficulty: Easy

LO: 11-2

65) Isomorphism is \_\_\_\_\_ when organizations come to resemble one another over time because they indirectly adopt the norms and values of other organizations in the environment.

- A) coercive
- B) mimetic
- C) normative
- D) reciprocal

Answer: C

Page Ref: 316

Difficulty: Easy

LO: 11-2

66) Managers and employees frequently move from one organization to another and bring with them the norms and values of their former employers. This leads to \_\_\_\_\_ isomorphism.

- A) reciprocal
- B) coercive
- C) normative
- D) mimetic

Answer: C

Page Ref: 316

Difficulty: Easy

LO: 11-2

67) Organizations indirectly acquire specific sets of values and norms through membership in industry, trade, and professional associations. Through meetings, personal contacts, and publications, these associations promote specific ideas and norms to their members. This leads to \_\_\_\_\_ isomorphism.

- A) mimetic
- B) reciprocal
- C) coercive
- D) normative

Answer: D

Page Ref: 316

Difficulty: Easy

LO: 11-2

68) Which of the following is one of the five stages in Greiner's model of growth?

- A) direction
- B) integration
- C) association
- D) centralization

Answer: A

Page Ref: 317

Difficulty: Easy

LO: 11-2

69) \_\_\_\_\_ proposes that during the process of organizational growth each stage ends with a crisis that must be resolved before the organization can advance to the next stage.

- A) Population ecology model
- B) Institutional theory
- C) Greiner's model
- D) Transaction cost theory

Answer: C

Page Ref: 317

Difficulty: Easy

LO: 11-2

70) Which of the following controls an organization's behavior when it is in the "growth through creativity" stage of Greiner's model?

- A) organizational culture
- B) organizational structure
- C) rules and standard operating procedures
- D) industrial benchmarking

Answer: A

Page Ref: 317

Difficulty: Easy

LO: 11-2

71) According to Greiner's model, an organization experiences crisis of leadership in "growth through \_\_\_\_\_" stage.

- A) collaboration
- B) creativity
- C) coordination
- D) delegation

Answer: B

Page Ref: 317

Difficulty: Easy

LO: 11-2

72) Which of the following is the first stage of growth according to Greiner's model of organizational growth?

- A) growth through coordination
- B) growth through direction
- C) growth through delegation
- D) growth through creativity

Answer: D

Page Ref: 317

Difficulty: Easy

LO: 11-2

73) In Greiner's model, the "growth through creativity" stage is immediately followed by the "growth through \_\_\_\_\_" stage.

- A) direction
- B) coordination
- C) delegation
- D) collaboration

Answer: A

Page Ref: 318

Difficulty: Easy

LO: 11-2



74) According to Greiner's model of organizational growth, during the "growth through direction" stage an organization experiences a crisis of \_\_\_\_\_.

- A) leadership
- B) control
- C) autonomy
- D) red tape

Answer: C

Page Ref: 318

Difficulty: Easy

LO: 11-2

75) According to Greiner's model of organizational growth, which of the following stages immediately follows the "growth through direction" stage?

- A) growth through creativity
- B) growth through delegation
- C) growth through collaboration
- D) growth through coordination

Answer: B

Page Ref: 318

Difficulty: Easy

LO: 11-2

76) Many of the top software engineers in an organization left the company because they felt lost in the growing organizational bureaucracy and became frustrated with their lack of autonomy. According to Greiner's model of organizational growth and based on the given information, the company is most likely to be in the "growth through \_\_\_\_\_" stage of organizational growth.

- A) creativity
- B) association
- C) direction
- D) integration

Answer: C

Page Ref: 318

Difficulty: Moderate

LO: 11-2

77) According to Greiner's model of organizational growth, an organization experiences a crisis of control in the "growth through \_\_\_\_\_" stage of Greiner's model.

- A) coordination
- B) direction
- C) delegation
- D) creativity

Answer: C

Page Ref: 319

Difficulty: Easy

LO: 11-2

78) According to Greiner's model of organizational growth, which of the following statements is true regarding the "growth through delegation" stage?

- A) This is the first stage of growth in the Greiner's model of organizational growth.
- B) During this stage an organization experiences a crisis of red tape.
- C) Organizations solve the crisis occurring in this stage by moving into the "growth through coordination" stage.
- D) This stage is immediately followed by the "growth through creativity" stage.

Answer: C

Page Ref: 319

Difficulty: Moderate

LO: 11-2

79) According to Greiner's model of organizational growth, to resolve the crisis of control, an organization enters into the "growth through \_\_\_\_\_" stage.

- A) delegation
- B) coordination
- C) creativity
- D) direction

Answer: B

Page Ref: 319

Difficulty: Easy

LO: 11-2

80) According to Greiner's model of organizational growth, during the "growth through coordination" stage an organization experiences crisis of \_\_\_\_\_.

- A) autonomy
- B) inaction
- C) red tape
- D) control

Answer: C

Page Ref: 320

Difficulty: Easy

LO: 11-2

81) In Greiner's model, " \_\_\_\_\_" becomes the way to solve the crisis of red tape and push the organization up the growth curve.

- A) growth through creativity
- B) growth through delegation
- C) growth through collaboration
- D) growth through direction

Answer: C

Page Ref: 320

Difficulty: Easy

LO: 11-2

- 82) Which of the following statements is most likely to be true regarding organizational inertia?
- A) An increase in organization inertia leads to a proportional increase in economies of scope.
  - B) Organizational inertia is caused due to forces outside an organization that make it difficult for the organization to change.
  - C) An increase in organization inertia leads to a proportional decrease in division of labor.
  - D) Overly bureaucratic culture is one of the factors that cause organizational inertia.

Answer: D

Page Ref: 323

Difficulty: Moderate

LO: 11-3

- 83) Which of the following factors is most likely to cause organizational inertia?

- A) risk aversion
- B) decentralized decision-making
- C) employee empowerment
- D) flat hierarchy of authority

Answer: A

Page Ref: 323

Difficulty: Easy

LO: 11-3

- 84) According to Weitzel and Jonsson's model of organizational decline, the five stages of decline are \_\_\_\_\_.

- A) blinded, faulty action, crisis, deregulation, and death
- B) interruption, direction, crisis, faulty action, and dissolution
- C) disruption, inaction, coordination, dissolution, and death
- D) blinded, inaction, faulty action, crisis, and dissolution

Answer: D

Page Ref: 325

Difficulty: Easy

LO: 11-3

- 85) According to Weitzel and Jonsson's model of organizational decline, which of the following is the first stage of decline?

- A) blinded
- B) crisis
- C) dissolution
- D) faulty action

Answer: A

Page Ref: 325

Difficulty: Easy

LO: 11-3

86) According to Weitzel and Jonsson's model of organizational decline, if an organization does not realize it is in trouble in the blinded stage, its decline advances to the \_\_\_\_\_ stage.

- A) inaction
- B) faulty action
- C) crisis
- D) dissolution

Answer: A

Page Ref: 325

Difficulty: Easy

LO: 11-3

87) According to Weitzel and Jonsson's model of organizational decline, which of the following is most likely to help an organization in the blinded stage to become successful?

- A) creating cross-functional teams to reduce conflict
- B) monitoring internal and external factors to get accurate information
- C) increasing size of the organization and decreasing division of labor
- D) centralizing decision-making authority and developing standard operating rules and procedures

Answer: B

Page Ref: 325

Difficulty: Easy

LO: 11-3

88) According to Weitzel and Jonsson's model of organizational decline, if managers fail to halt decline at the inaction stage, the immediate next stage of decline into which the organization moves is the \_\_\_\_\_ stage.

- A) blinded
- B) faulty action
- C) dissolution
- D) death

Answer: B

Page Ref: 325

Difficulty: Easy

LO: 11-3

89) According to Weitzel and Jonsson's model of organizational decline, during which of the following stages of decline an organization has the least chance of survival?

- A) inaction
- B) faulty action
- C) crisis
- D) blinded

Answer: C

Page Ref: 327

Difficulty: Easy

LO: 11-3

90) According to Weitzel and Jonsson's model of organizational decline, which of the following is most likely to halt the decline of an organization that has reached the crisis stage?

- A) using a functional organizational structure
- B) decreasing the division of labor
- C) employing a new top-management team
- D) centralizing decision-making authority

Answer: C

Page Ref: 327

Difficulty: Moderate

LO: 11-3

91) According to Weitzel and Jonsson's model of organizational decline, when an organization reaches the \_\_\_\_\_ stage, its decline becomes irreversible.

- A) blinded
- B) faulty action
- C) inaction
- D) dissolution

Answer: D

Page Ref: 327

Difficulty: Easy

LO: 11-3

92) What is an organizational life cycle?

Answer: An organizational life cycle is a sequence of stages of growth and development through which organizations may pass.

The four principal stages of the organizational life cycle are birth, growth, decline, and death. Organizations pass through these stages at different rates, and some do not experience every stage. Moreover, some companies go directly from birth to death without enjoying any growth if they do not attract customers or resources. Some organizations spend a long time in the growth stage, and many researchers have identified various substages of growth through which an organization must navigate. There are also substages of decline. Some organizations in decline take corrective action, change quickly, and turn themselves around. The way an organization can change in response to the problems it confronts determines whether and when it will go on to the next stage in the life cycle and survive and prosper or fail and die.

Page Ref: 305

Difficulty: Easy

LO: 11-1

93) According to the population ecology theory, what are the various factors due to which the number of organizational births in a new environment is rapid at first?

Answer: According to the population ecology theory, two factors account for the rapid birthrate. The first is that as new organizations are founded, there is an increase in the knowledge and skills available to generate similar new organizations. The second factor accounting for the rapid birthrate in a new environment is that when a new kind of organization is founded and survives, it provides a role model. The success of the new organization makes it easier for entrepreneurs to find similar new organizations because success confers legitimacy, which will attract stakeholders.

Page Ref: 310

Difficulty: Easy

LO: 11-1

94) Explain the difference between r-strategy and K-strategy.

Answer: Organizations that follow an r-strategy are founded early in a new environment—they are early entrants. Organizations that follow a K-strategy are founded late—they are late entrants. The advantage of an r-strategy is that an organization obtains first-mover advantages and has first pick of the resources in the environment. As a result, the organization is usually able to grow rapidly and develop skills and procedures that increase its chance of surviving and prospering. Organizations that follow a K-strategy are usually established in other environments and wait to enter a new environment until the uncertainty in that environment is reduced and the correct way to compete is apparent.

Page Ref: 311

Difficulty: Easy

LO: 11-1

95) Explain the difference between specialist strategy and generalist strategy.

Answer: The difference between a specialist and a generalist strategy is defined by the number of environmental niches—or sets of different resources (customers)—for which an organization competes. Specialist organizations (or specialists) concentrate their competences and skills to compete for resources in a single niche. Generalist organizations (or generalists) use their well-developed competences to compete for resources in many or all niches in an environment. By focusing their activities in one niche, specialists are often able to develop core competences that allow them to outperform generalists in that niche. Generalists can often outcompete specialists when there is considerable uncertainty in the environment and when resources are changing so that niches emerge and disappear continually. Generalists can survive in an uncertain environment because they have spread their resources over many niches. If one niche disappears they still have others in which to operate. If a specialist's niche disappears, however, there is a much higher chance of organizational failure and death.

Page Ref: 312

Difficulty: Moderate

LO: 11-1

96) Explain the process of natural selection.

Answer: The driving force behind the population ecology model of organizational birth is natural selection, the process that ensures the survival of the organizations that have the skills and abilities that best fit with the environment. Over time, weaker organizations, such as those with old-fashioned or outdated skills and competences or those that cannot adapt their operating structure to fit with changes in the environment, are selected out of the environment and die. New kinds of organizations emerge and survive if they can stake a claim to an environmental niche.

Page Ref: 313

Difficulty: Easy

LO: 11-1

97) What are the three types of organizational isomorphisms?

Answer: Organizational isomorphism is the process by which organizations in a population become more alike or similar. The three types of organizational isomorphisms are:

1. Coercive isomorphism: Isomorphism is said to be coercive when an organization adopts certain kinds of values and norms because it is pressured to by other organizations or by society in general.

2. Mimetic isomorphism: Isomorphism is mimetic when organizations intentionally imitate and copy one another to increase their legitimacy. A new organization is especially likely to imitate the structure and processes of successful organizations when the environment is highly uncertain and so it needs to search for a structure, strategy, culture, and technology that will increase its chance of survival.

3. Normative isomorphism: Isomorphism is normative when organizations come to resemble one another over time because they indirectly adopt the norms and values of other organizations in the environment. Organizations indirectly acquire specific sets of values and norms through membership in industry, trade, and professional associations. Through meetings, personal contacts, and publications, these associations promote specific ideas and norms to their members. Because of this indirect influence, organizations within an industry come to develop a similar view of the world.

Page Ref: 315, 316

Difficulty: Moderate

LO: 11-2

98) Describe the "growth through creativity" stage of the Greiner's model of organizational growth.

Answer: According to Greiner's model of organizational growth, an organization passes through five sequential growth stages during the course of its evolution, and that at each stage a specific organizational design problem causes a crisis that must be solved if a company is not to fall into a chasm and so becomes unable to advance from one stage to the next. The first stage of growth in this model is called "growth through creativity."

In this stage (which includes the birth of the organization), entrepreneurs develop the skills and abilities to create and introduce new products for new market niches. As entrepreneurs create completely new procedures and learn to improve them, a great deal of organizational learning occurs. In the creativity stage, the norms and values of the organization's culture, rather than the hierarchy and organizational structure, control people's behavior.

After securing a niche, the founding entrepreneurs are faced with the task of developing the functional competences necessary to allow their organization to grow effectively, a task to which they are often not really suited and for which they lack the necessary skills. As a result, during the growth through creativity stage, organizations experience a crisis of leadership. The crisis of leadership ends with the recruitment of a strong top-management team to lead the organization through the next stage of organizational growth: growth through direction. The new top-management team takes responsibility for directing the company's strategy, and lower-level managers assume key functional responsibilities.

Page Ref: 317,318

Difficulty: Moderate

LO: 11-2

99) Define "organizational inertia." Describe some of the factors that cause organizational inertia.

Answer: The term organizational inertia refers to the forces inside an organization that make it resistant to change. Some of the factors that cause inertia are:

1. Risk aversion: As organizations grow, managers often become risk averse—that is, they become unwilling to bear the uncertainty associated with entrepreneurial activities. They prefer to protect the status quo and keep things the way they are, so over time an organization becomes increasingly difficult to change.
2. The desire to maximize rewards: Research suggests that managers' desire for prestige, job security, power, and the strong property rights that bring large rewards often leads them to focus on strategies that increase organizational size, even if this reduces future profitability and organizational effectiveness.
3. Overly bureaucratic culture: In large organizations, property rights (such as salaries and stock options) can become so strong that managers spend all their time protecting their specific property rights instead of working to advance the organization's interests. Managers attempt to establish a tall hierarchy so that subordinates have less authority and their behavior can be closely scrutinized. Such a culture is not beneficial to a large company fighting for survival in an uncertain environment.

Page Ref: 323, 324

Difficulty: Moderate

LO: 11-3



100) Describe the Weitzel and Jonsson's model of organizational decline.

Answer: Weitzel and Jonsson have identified five stages of decline. At each stage except the dissolution stage, if managers do take prompt action they can reverse the decline.

Stage 1: Blinded: In the blinded stage, the first decline stage identified by Weitzel and Jonsson, organizations are unable to recognize the internal or external forces and problems that threaten their long-term survival. The most common reason for this blindness is that organizations do not have in place the monitoring and information systems they need to measure organizational effectiveness and to identify sources of organizational inertia. At this stage, a remedial action is to gain access to good information and effective top managers who are able to react quickly and put in place the right strategies and structures can stop the decline and put the organization back on its growth path.

Stage 2: Inaction: If an organization does not realize it is in trouble in the blinded stage, its decline advances to the inaction stage. In this stage, despite clear signs of deteriorating performance such as falling sales or profits, top managers make little attempt to correct problems. This failure to act may be because managers are misinterpreting available information. At this stage managers must take major steps to stop decline, such as by downsizing and laying off employees or by scaling back the scope of their operations.

Stage 3: Faulty action: If managers fail to halt decline at the inaction stage, the organization moves into the faulty action stage. Problems continue to multiply despite corrective action. Managers may have made the wrong decisions because of conflict in the top-management team, or they may have changed too little too late because they feared that a major reorganization might do more harm than good. Very often, an organization reaches the faulty-action stage because managers become overly committed to their present strategy and structure and fear changing them even though they are clearly not working to halt the decline. Radical structural and strategic changes are necessary to turn the company around at this stage.

Stage 4: Crisis: By the time the crisis stage has arrived, only radical top-down changes to an organization's strategy and structure can stop a company's rapid decline and increase its chances of survival. An organization in the crisis stage has reached a critical point in its history, and the only chance of recovery is a major reorganization that will very likely change the very nature of its culture forever.

Stage 5: Dissolution: When an organization reaches the dissolution stage, it cannot recover, and decline is irreversible. At this point, the organization has lost the support of its stakeholders, and its access to resources shrivels as its reputation and markets disappear. At this stage, organizations should focus their resources on a narrower range of products and markets. If an organization cannot adapt to a changing environment, it generally faces organizational death.

Page Ref: 325, 327

Difficulty: Moderate

LO: 11-3