

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

**Chapter 12 Decision Making, Learning, Knowledge Management, and Information Technology**

1) Programmed decisions are creative, novel, and unstructured.

Answer: FALSE

Page Ref: 335

Difficulty: Easy

LO: 12-1

2) Generally, programmed decision-making is used by the organizations to find solutions to changing and uncertain conditions.

Answer: FALSE

Page Ref: 335

Difficulty: Easy

LO: 12-1

3) Nonprogrammed decision-making requires much less search for information to find solutions than does programmed decision-making.

Answer: FALSE

Page Ref: 335

Difficulty: Easy

LO: 12-1

4) The creation of an organization's strategy is an example of programmed decision-making.

Answer: FALSE

Page Ref: 335

Difficulty: Easy

LO: 12-1

5) Nonprogrammed decision-making forces managers to rely on judgment, intuition, and creativity to solve organizational problems.

Answer: TRUE

Page Ref: 335

Difficulty: Easy

LO: 12-1

6) Programmed decision-making allows an organization to increase its efficiency and reduce the costs of making goods and services.

Answer: TRUE

Page Ref: 335

Difficulty: Easy

LO: 12-1

7) The rational model of decision-making ignores the ambiguity, uncertainty, and chaos that is typically involved in decision-making.

Answer: TRUE

Page Ref: 336

Difficulty: Easy

LO: 12-1

8) The rational model of decision-making assumes that managers are aware of all alternative courses of action and their consequences.

Answer: TRUE

Page Ref: 336

Difficulty: Easy

LO: 12-1

9) The rational model of decision-making assumes that different managers use different preferences and values and will use different rules to decide on the best alternative.

Answer: FALSE

Page Ref: 337

Difficulty: Easy

LO: 12-1

10) Satisficing involves a much more costly information search and puts far more of a burden on managers than does the rational model.

Answer: FALSE

Page Ref: 337

Difficulty: Easy

LO: 12-1

11) The Carnegie model assumes that managers' ability is restricted by bounded rationality.

Answer: TRUE

Page Ref: 337

Difficulty: Easy

LO: 12-1

12) The Carnegie model offers a more accurate description of how decision-making takes place in an organization than does the rational model.

Answer: TRUE

Page Ref: 338

Difficulty: Easy

LO: 12-1

13) The incrementalist model of decision-making, developed by Henry Mintzberg and his colleagues, describes how decision-making takes place when uncertainty is high.

Answer: FALSE

Page Ref: 340

Difficulty: Easy

LO: 12-1

14) The incrementalist model of decision-making explains why and how managers make nonprogrammed decisions.

Answer: FALSE

Page Ref: 340

Difficulty: Easy

LO: 12-1

15) Exploration involves organizational members learning ways to refine and improve existing organizational activities and procedures to increase effectiveness.

Answer: FALSE

Page Ref: 342

Difficulty: Easy

LO: 12-2

16) Exploitation involves organizational members searching for and experimenting with new kinds or forms of organizational activities and procedures to increase effectiveness.

Answer: FALSE

Page Ref: 343

Difficulty: Easy

LO: 12-2

17) Exploration is a more radical learning strategy than exploitation.

Answer: TRUE

Page Ref: 343

Difficulty: Easy

LO: 12-2

18) According to Peter Senge, individual learning is more important than team learning in promoting organizational learning.

Answer: FALSE

Page Ref: 344

Difficulty: Easy

LO: 12-2

19) The design of a mechanistic structure facilitates explorative learning whereas the design of an organic structure facilitates exploitative learning.

Answer: FALSE

Page Ref: 345

Difficulty: Moderate

LO: 12-2

20) Adaptive cultures are cautious and conservative.

Answer: FALSE

Page Ref: 346

Difficulty: Easy

LO: 12-2

21) Inert cultures encourage risk taking by middle and lower-level managers.

Answer: FALSE

Page Ref: 346

Difficulty: Easy

LO: 12-2

22) According to Kotter and Heskett, organizational learning is higher in organizations with adaptive cultures than that in organizations with inert culture.

Answer: TRUE

Page Ref: 346

Difficulty: Moderate

LO: 12-2

23) As compared to organizations with mechanistic and inert cultures, organizations with organic and adaptive cultures are more likely to actively seek out new ways to manage linkages with other organizations.

Answer: TRUE

Page Ref: 346

Difficulty: Moderate

LO: 12-2

24) Typically, a codification approach to knowledge management is pursued when an organization needs to provide customized products or solutions to clients, when technology is changing rapidly, and when employees rely much more on know-how, insight, and judgment to make decisions.

Answer: FALSE

Page Ref: 348

Difficulty: Easy

LO: 12-3

25) When an organization uses a personalization approach to knowledge management, information systems are designed to show employees who in the organization might possess the knowledge they might need or who might have confronted a similar problem in the past.

Answer: TRUE

Page Ref: 348

Difficulty: Moderate

LO: 12-3

26) Cognitive dissonance is the state of discomfort or anxiety that a person feels when there is an inconsistency between his or her beliefs and actions.

Answer: TRUE

Page Ref: 350

Difficulty: Easy

LO: 12-4

27) A cognitive bias that causes managers to overestimate the extent to which the outcomes of an action are under their personal control is referred to as the "halo effect."

Answer: FALSE

Page Ref: 351

Difficulty: Easy

LO: 12-4

28) Escalation of commitment is a cognitive bias that leads managers to form judgments based on small and unrepresentative samples.

Answer: FALSE

Page Ref: 352

Difficulty: Easy

LO: 12-4

29) Ego-defensiveness is a cognitive bias that leads managers to interpret events in such a way that their actions appear in the most favorable light.

Answer: TRUE

Page Ref: 352

Difficulty: Easy

LO: 12-4

30) Projection is a cognitive bias that deceives people into assuming that extreme instances of a phenomenon are more prevalent than they really are.

Answer: FALSE

Page Ref: 352

Difficulty: Easy

LO: 12-4

31) Game theory is particularly useful in analyzing situations where a company is competing against a limited number of rivals in its domain and they are highly interdependent.

Answer: TRUE

Page Ref: 355

Difficulty: Moderate

LO: 12-5

32) A wheel configuration of a top-management team solves complex problems much more quickly than a circle arrangement.

Answer: FALSE

Page Ref: 356, 357

Difficulty: Moderate

LO: 12-5

33) In a circle configuration of a top-management team, organizational learning is decreased because managers from the different functions report separately to the CEO.

Answer: FALSE

Page Ref: 357

Difficulty: Easy

LO: 12-5

34) Top-management teams function most effectively when their membership is stable and there is not too much entry into or departure from the team.

Answer: TRUE

Page Ref: 357

Difficulty: Easy

LO: 12-5

35) A collateral organizational structure is an informal organization of managers set up parallel to the formal organizational structure to "shadow" the decision-making and actions of managers in the formal organization.

Answer: TRUE

Page Ref: 358

Difficulty: Easy

LO: 12-5

36) Which of the following terms refers to the process of responding to a problem by searching for and selecting a solution or course of action that will create the most value for organizational stakeholders?

A) organizational learning

B) organizational isomorphism

C) organizational decision-making

D) organizational development

Answer: C

Page Ref: 334

Difficulty: Easy

LO: 12-1

37) Programmed decisions are \_\_\_\_\_.

A) creative

B) novel

C) unstructured

D) repetitive

Answer: D

Page Ref: 334, 335

Difficulty: Easy

LO: 12-1

38) Nonprogrammed decisions are \_\_\_\_\_.

- A) repetitive
- B) unstructured
- C) easy
- D) routine

Answer: B

Page Ref: 335

Difficulty: Easy

LO: 12-1

39) Which of the following statements is true regarding programmed decision-making?

- A) Programmed decision-making requires much more search for information to find solutions than does nonprogrammed decision-making.
- B) Programmed decision-making forces managers to rely on judgment, intuition, and creativity to solve organizational problems.
- C) Programmed decision-making is unstructured in nature and it is used by an organization to find solutions to changing and uncertain conditions.
- D) Programmed decision-making allows an organization to increase its efficiency and reduce the costs of making goods and services.

Answer: D

Page Ref: 335

Difficulty: Moderate

LO: 12-1

40) Which of the following statements is true regarding nonprogrammed decision-making?

- A) Nonprogrammed decision-making is performed with the help of standard operating procedures.
- B) Nonprogrammed decision-making involves selecting the most effective—easy, repetitive, and routine—operating procedures to handle an organization's ongoing value-creation activities.
- C) Nonprogrammed decision-making forces managers to rely on judgment, intuition, and creativity to solve organizational problems.
- D) Nonprogrammed decision-making requires much less search for information to find solutions than does programmed decision-making.

Answer: C

Page Ref: 335

Difficulty: Moderate

LO: 12-1

41) The rational model of decision-making assumes that \_\_\_\_\_.

- A) managers do not have access to all the information necessary to make the best decision
- B) managers have only a limited ability to process the information required to make decisions
- C) different managers have different preferences and values and will use different rules to decide on the best alternative
- D) managers are aware of all alternative courses of action and their consequences

Answer: D

Page Ref: 336

Difficulty: Moderate

LO: 12-1

42) Satisficing occurs when decision makers \_\_\_\_\_.

- A) evaluate all the possible courses of action and their consequences and select the optimal solution
- B) try to minimize conflict and reach a consensus without critical evaluation of alternative ideas or viewpoints
- C) view two options as more dissimilar when evaluating them simultaneously than when evaluating them separately
- D) conduct limited information searches to identify problems and alternative solutions

Answer: D

Page Ref: 337

Difficulty: Moderate

LO: 12-1

43) Which of the following is an assumption of the Carnegie model of decision-making?

- A) All the information required for decision-making is available.
- B) decision-making is affected by the preferences and values of decision makers.
- C) Before making a decision, managers generate the full range of possible alternatives.
- D) Solution is chosen by unanimous agreement among all the stakeholders.

Answer: B

Page Ref: 337

Difficulty: Moderate

LO: 12-1

44) The term "\_\_\_\_\_" refers to a limited capacity to process information.

- A) bounded rationality
- B) planning fallacy
- C) hindsight bias
- D) cryptomnesia

Answer: A

Page Ref: 337

Difficulty: Easy

LO: 12-1



45) Which of the following statements is true regarding the Carnegie model?

- A) The Carnegie model ignores the variation in managers' preferences and values and assumes different managers will evaluate different alternatives in the same way.
- B) The Carnegie model offers a less accurate description of how decision-making takes place in an organization than does the rational model.
- C) The Carnegie model recognizes that decision-making takes place in an uncertain environment where information is often incomplete and ambiguous.
- D) The Carnegie model assumes that managers generate the full range of possible alternatives before making decisions.

Answer: C

Page Ref: 338

Difficulty: Hard

LO: 12-1

46) According to the \_\_\_\_\_ model of organizational decision-making, when selecting a set of new alternative courses of action, managers tend to choose those that are only slightly different from those used in the past, thus lessening their chances of making a mistake.

- A) rational
- B) incrementalist
- C) Carnegie
- D) garbage-can

Answer: B

Page Ref: 339

Difficulty: Easy

LO: 12-1

47) Which of the following statements is true regarding the incrementalist model?

- A) According to this model decision-making is a process that may evolve unpredictably in an unstructured way and it forces decision makers to think in a haphazard and intuitive way.
- B) This model works best in an environment that changes suddenly or abruptly.
- C) This model implies that managers rarely make major decisions that are radically different from decisions they have made before.
- D) According to this model, decision makers weigh every possible alternative course of action and choose the best solution.

Answer: C

Page Ref: 339

Difficulty: Moderate

LO: 12-1

48) Which of the following organizations is most likely to use the incrementalist model for decision-making?

- A) a biotechnology company that operates in a dynamic environment
- B) a dominant manufacturer of printing papers that operates in a stable environment
- C) a software services company that operates in a very competitive environment
- D) a pharmaceutical company that operates in a complex and highly uncertain environment because it has many groups of stakeholders

Answer: B

Page Ref: 339

Difficulty: Moderate

LO: 12-1

49) Which of the following models of organizational decision-making, developed by Henry Mintzberg and his colleagues explains why and how managers make nonprogrammed decisions?

- A) rational model
- B) incrementalist model
- C) Carnegie model
- D) unstructured model

Answer: D

Page Ref: 340

Difficulty: Easy

LO: 12-1

50) Which of the following decision-making models explains why and how managers can improve their programmed decision-making over time?

- A) Carnegie model
- B) rational model
- C) unstructured model
- D) incrementalist model

Answer: D

Page Ref: 340

Difficulty: Easy

LO: 12-1

51) The \_\_\_\_\_ model of decision-making turns the decision-making process around and argues that managers are as likely to start decision-making from the "solution side" as from the "problem side." In other words, decision makers may propose solutions to problems that do not exist; they create a problem they can solve with solutions that are already available.

- A) Carnegie
- B) rational
- C) incrementalist
- D) garbage-can

Answer: D

Page Ref: 340

Difficulty: Easy

LO: 12-1

52) Which of the following statements is true regarding the unstructured model of decision-making?

- A) The unstructured model recognizes that decision-making takes place in a series of small, incremental steps that collectively have a major effect on organizational effectiveness over time.
- B) In an environment that changes suddenly or abruptly, the unstructured model prevents managers from changing quickly enough to meet new conditions.
- C) The unstructured model explains why and how managers can improve their programmed decision-making over time.
- D) According to the unstructured model, decision-making is a linear, sequential process.

Answer: A

Page Ref: 340

Difficulty: Moderate

LO: 12-1

53) The garbage-can approach to organizational decision-making is clearly the opposite of the approach described by the \_\_\_\_\_ model.

- A) rational
- B) unstructured
- C) Carnegie
- D) incremental

Answer: A

Page Ref: 341

Difficulty: Easy

LO: 12-1

54) When an organization is using the \_\_\_\_\_ model of decision-making, it becomes an "organized anarchy" in which the decision about which alternative to select depends on which manager or coalition has the most influence or power to sway other decision makers at that moment.

- A) incrementalist
- B) Carnegie
- C) garbage-can
- D) rational

Answer: C

Page Ref: 341

Difficulty: Easy

LO: 12-1

55) Which of the following are the two principal types of organizational learning strategies proposed by James March?

- A) incremental and radical
- B) structured and unstructured
- C) exploration and exploitation
- D) association and differentiation

Answer: C

Page Ref: 342

Difficulty: Easy

LO: 12-2

56) Which of the following is an example of organizational learning that involves exploration?

- A) a supplier implements a TQM program
- B) a steel mill refines its production processes
- C) an automobile manufacturer enters into a strategic alliance
- D) a software services company modifies its existing leave policy

Answer: C

Page Ref: 342

Difficulty: Moderate

LO: 12-2

57) Which of the following organizational learning strategies, proposed by James March, involves organizational members searching for and experimenting with new kinds or forms of organizational activities and procedures to increase effectiveness?

- A) exploration
- B) exploitation
- C) reciprocation
- D) association

Answer: A

Page Ref: 342

Difficulty: Easy

LO: 12-2

58) Which of the following organizational learning strategies, proposed by James March, involves organizational members learning ways to refine and improve existing organizational activities and procedures to increase effectiveness?

- A) exploration
- B) association
- C) exploitation
- D) reciprocation

Answer: C

Page Ref: 343

Difficulty: Easy

LO: 12-2

59) Senge has argued that for organizational learning to occur, each of its members needs to develop a sense of personal mastery, by which he means that organizations should \_\_\_\_\_.

- A) use centralized decision-making and ensure that only the top-management team has the decision-making authority
- B) increase the extent of division of labor so that all employees become efficient at the tasks allocated to them
- C) encourage managers to set ambitious goals for their subordinates
- D) empower all employees and allow them to experiment and create and explore what they want

Answer: D

Page Ref: 343

Difficulty: Moderate

LO: 12-2

60) The design of a(n) \_\_\_\_\_ structure facilitates exploitative learning.

- A) organic
- B) product team
- C) mechanistic
- D) matrix

Answer: C

Page Ref: 345

Difficulty: Easy

LO: 12-2

61) According to Kotter and Heskett, \_\_\_\_\_ cultures are cultures that are cautious and conservative and do not encourage risk taking by middle and lower-level managers.

- A) innovative
- B) inert
- C) conservative
- D) adaptive

Answer: B

Page Ref: 346

Difficulty: Easy

LO: 12-2

62) Which of the following statements is most likely to be true regarding an inert culture?

- A) According to Kotter and Heskett, organizational learning is higher in organizations with inert cultures than that in organizations with adaptive culture.
- B) Inert cultures encourage and reward experimentation and risk taking by middle and lower-level managers.
- C) Organizations with inert cultures are less likely to survive in a changing environment than organizations with adaptive cultures.
- D) An inert culture is typically found in an organization with organic structure.

Answer: C

Page Ref: 346

Difficulty: Moderate

LO: 12-2

63) Which of the following statements is true regarding an adaptive culture?

- A) An adaptive culture is cautious and conservative.
- B) Organizations with adaptive cultures are less likely to survive in a changing environment than organizations with inert cultures.
- C) According to Kotter and Heskett, organizational learning is higher in organizations with adaptive cultures than that in organizations with inert culture.
- D) An adaptive culture discourages lower and middle level managers from taking risks.

Answer: C

Page Ref: 346

Difficulty: Moderate

LO: 12-2

64) According to Kotter and Heskett, \_\_\_\_\_ cultures are those that value innovation and encourage and reward experimenting and risk taking by middle and lower-level managers.

- A) associative
- B) inert
- C) mechanistic
- D) adaptive

Answer: D

Page Ref: 346

Difficulty: Easy

LO: 12-2

65) According to the principle of systems thinking, to create a learning organization, \_\_\_\_\_.

- A) decision-making should be centralized
- B) managers must recognize the effects of one level of learning on the others
- C) span of control should be narrow
- D) middle and lower-level managers should be discouraged from risk taking

Answer: B

Page Ref: 346

Difficulty: Moderate

LO: 12-2

66) An organization is most likely to pursue a personalization approach to knowledge management when \_\_\_\_\_.

- A) the different functions in the organization provide standardized information which can be used by other functions for mutual adjustment
- B) the organization wants to collect, analyze, and store knowledge in databases where it can be retrieved easily by users who input organization-specific commands and keywords.
- C) the organization operates in a rapidly changing technical environment and provides customized products and solutions to clients
- D) the organization wants to implement standard rules and operating procedures

Answer: C

Page Ref: 348

Difficulty: Moderate

LO: 12-3

67) When an information system is designed according to a \_\_\_\_\_ approach to knowledge management, it shows employees who in the organization might possess the knowledge they might need or who might have confronted a similar problem in the past.

- A) personalization
- B) cognitive
- C) codification
- D) systems thinking

Answer: A

Page Ref: 348

Difficulty: Easy

LO: 12-3

68) An organization is most likely to pursue a codification approach to knowledge management when \_\_\_\_\_.

- A) the organization needs to provide customized products or solutions to clients
- B) the organization operates in a rapidly changing technical environment
- C) employees are required to rely much more on know-how, insight, and judgment to make decisions
- D) the organization wants to collect best practices and SOPs that can be drawn on by anyone who needs them

Answer: D

Page Ref: 348

Difficulty: Moderate

LO: 12-3

69) By developing a knowledge management system, managers want to provide employees more with information on "who to go to" to solve a specific problem rather than describing the steps to solve a problem. They want to do this because most of their problems are too complex to rely on standard procedures. This information indicates that the organization is planning to implement a \_\_\_\_\_ approach to knowledge management.

- A) systems thinking
- B) codification
- C) personalization
- D) learning organization

Answer: C

Page Ref: 348

Difficulty: Easy

LO: 12-3

70) By developing a knowledge management system, managers want to provide employees with a step by step procedure on how to solve problems. They want to do this because most of their problems are recurring events, and standard procedures work well. This information indicates that the organization is planning to implement a \_\_\_\_\_ approach to knowledge management.

- A) systems thinking
- B) codification
- C) personalization
- D) learning organization

Answer: B

Page Ref: 348

Difficulty: Easy

LO: 12-3

71) When an organization uses a \_\_\_\_\_ approach to knowledge management, it ensures that knowledge is carefully collected, analyzed, and stored in databases where it can be retrieved easily by users who input organization-specific commands and keywords.

- A) cognitive
- B) personalization
- C) codification
- D) systems thinking

Answer: C

Page Ref: 348

Difficulty: Easy

LO: 12-3

72) A \_\_\_\_\_ structure is the system of interrelated beliefs, preferences, expectations, and values that a person uses to define problems and events.

- A) cognitive
- B) affective
- C) normative
- D) mimetic

Answer: A

Page Ref: 349

Difficulty: Easy

LO: 12-4



73) Which of the following terms refers to the state of discomfort or anxiety that a person feels when there is an inconsistency between his or her beliefs and actions?

- A) illusion of transparency
- B) self-concordance
- C) cognitive dissonance
- D) illusion of control

Answer: C

Page Ref: 350

Difficulty: Easy

LO: 12-4

74) According to cognitive dissonance theory, decision makers \_\_\_\_\_.

- A) try to maintain consistency between their images of themselves, their attitudes, and their decisions
- B) give preferential treatment to others they perceive to be members of their own groups
- C) tend to create models based on past data which are validated only against that past data
- D) overestimate others' ability to know them, and they also overestimate their ability to know others

Answer: A

Page Ref: 350

Difficulty: Hard

LO: 12-4

75) When managers have an illusion of control bias, they often \_\_\_\_\_.

- A) centralize decision-making authority
- B) promote flat hierarchy of authority
- C) empower workers
- D) promote mutual adjustment

Answer: A

Page Ref: 351

Difficulty: Easy

LO: 12-4

76) A top-level manager in an organization thinks that he is the only person in the organization who can oversee global expansion. Which of the following cognitive biases is being experienced by this manager?

- A) cognitive dissonance
- B) representativeness
- C) ego-defensiveness
- D) illusion of control

Answer: D

Page Ref: 351

Difficulty: Easy

LO: 12-4

77) A manager at an automobile plant had two suppliers that delivered defective parts. She now thinks that all suppliers are unreliable. Which of the following cognitive biases is being experienced by this manager?

- A) escalation of commitment
- B) projection
- C) representativeness
- D) illusion of control

Answer: C

Page Ref: 351

Difficulty: Moderate

LO: 12-4

78) A manager catches an employee coming in late for work, and therefore decides that a new company-wide policy regarding work timings should be implemented in order to improve productivity. Which of the following cognitive biases is being experienced by this manager?

- A) groupthink
- B) illusion of Control
- C) frequency
- D) ego-defensiveness

Answer: C

Page Ref: 351

Difficulty: Moderate

LO: 12-4

79) \_\_\_\_\_ is a cognitive bias that deceives people into assuming that extreme instances of a phenomenon are more prevalent than they really are.

- A) Frequency
- B) Illusion of control
- C) Ego-defensiveness
- D) Cognitive dissonance

Answer: A

Page Ref: 351

Difficulty: Easy

LO: 12-4

80) \_\_\_\_\_ is a cognitive bias that leads managers to form judgments based on small and unrepresentative samples.

- A) Cognitive dissonance
- B) Ego-defensiveness
- C) Representativeness
- D) Illusion of control

Answer: C

Page Ref: 351

Difficulty: Easy

LO: 12-4

81) \_\_\_\_\_ is a cognitive bias that causes managers to overestimate the extent to which they can manipulate the outcomes of an action.

- A) Representativeness
- B) Illusion of control
- C) Frequency
- D) Ego-defensiveness

Answer: B

Page Ref: 351

Difficulty: Easy

LO: 12-4

82) \_\_\_\_\_ is a cognitive bias that allows managers to justify and reinforce their own preferences and values by attributing them to others.

- A) Representativeness
- B) Projection
- C) Cognitive dissonance
- D) Frequency

Answer: B

Page Ref: 352

Difficulty: Easy

LO: 12-4

83) A friend of yours recommends a stock based upon a "hot tip." You purchase it, and it subsequently declines the following year. Your friend advises you to purchase more at the lower price, despite clear evidence that this is not a sound company. Which of the following cognitive biases is being displayed by your friend?

- A) projection
- B) cognitive dissonance
- C) escalation of commitment
- D) frequency

Answer: C

Page Ref: 352

Difficulty: Moderate

LO: 12-4

84) An organization is employing more and more managers but profitability is not increasing. The managers of the organization are not willing to accept that the lack of increase in profitability is the result of their inefficiency. Rather, the managers argue that they are positioning the organization for future growth by putting in place the infrastructures to support future development. Which of the following cognitive biases is being experienced by these managers?

- A) representativeness
- B) halo effect
- C) frequency
- D) ego-defensiveness

Answer: D

Page Ref: 352

Difficulty: Easy

LO: 12-4

85) \_\_\_\_\_ is a cognitive bias that leads managers to continue a losing course of action and to refuse to admit they have made a mistake.

- A) Escalation of commitment
- B) Self-concordance
- C) Frequency
- D) Representativeness

Answer: A

Page Ref: 352

Difficulty: Moderate

LO: 12-4

86) The bias toward escalation of commitment is reinforced by a(n) \_\_\_\_\_ approach to decision-making.

- A) rational
- B) unstructured
- C) incrementalist
- D) garbage can

Answer: C

Page Ref: 352

Difficulty: Easy

LO: 12-4

87) In which of the following situations is an organization most likely to use game theory?

- A) The organization has a monopoly in its industry.
- B) The organization competes against a limited number of rivals in its domain and they are highly interdependent.
- C) The organization produces customized products for its customers and operates in a stable environment.
- D) The organization produces and sells commodities and competes against a large number of rivals.

Answer: B

Page Ref: 355

Difficulty: Moderate

LO: 12-5

88) A top-management team in an organization is feeling threatened by a deteriorating economic situation and doubt their ability to manage it. Feeling threatened and powerless, the team accuses other lower-level managers of being unable to control the situation or of lacking the ability or desire to do so. Which of the following biases is being experienced by the top-management team?

- A) representativeness
- B) projection
- C) frequency
- D) cognitive dissonance

Answer: B

Page Ref: 352

Difficulty: Easy

LO: 12-4

89) \_\_\_\_\_ is a cognitive bias that leads managers to interpret events in such a way that their actions appear in the most favorable light.

- A) Representativeness
- B) Self-concordance
- C) Frequency
- D) Ego-defensiveness

Answer: D

Page Ref: 352

Difficulty: Easy

LO: 12-4

90) A fundamental premise of \_\_\_\_\_ theory is that when making decisions, managers need to think in two related ways. First, they need to look forward and anticipate how rivals will respond to their competitive moves and second, managers need to reason backward to determine which moves their company should pursue today given their assessment of how their rivals will respond to various future moves.

- A) transaction cost
- B) game
- C) population ecology
- D) institutional

Answer: B

Page Ref: 355

Difficulty: Easy

LO: 12-5

91) Which of the following statements is true regarding a wheel configuration of a top-management team?

- A) In the wheel configuration, top managers from different functions interact with one another and with the CEO.
- B) The wheel configuration works best when problems are complex and nonprogrammed decision-making is required.
- C) The wheel configuration slows organizational learning.
- D) Communication around a wheel configuration takes much less time than that required for communication around a circle configuration.

Answer: C

Page Ref: 356

Difficulty: Moderate

LO: 12-5

92) Which of the following statements is true regarding a circle configuration of a top-management team?

- A) A circle configuration slows organizational learning because all coordination takes place through the CEO.
- B) Communication around a circle configuration takes much less time than that required for communication around a wheel configuration.
- C) A circle configuration is not suitable for complex problems requiring coordination among group members.
- D) A wheel configuration solves complex problems much more quickly than a circle arrangement.

Answer: B

Page Ref: 357

Difficulty: Moderate

LO: 12-5

93) Which of the following terms refers to the conformity that emerges when like-minded people reinforce one another's tendencies to interpret events and information in similar ways?

- A) groupthink
- B) devil's advocacy
- C) social loafing
- D) satisficing

Answer: A

Page Ref: 357

Difficulty: Easy

LO: 12-5

94) A(n) \_\_\_\_\_ is a person who is responsible for critiquing ongoing organizational learning.

- A) boundary spanner
- B) devil's advocate
- C) free rider
- D) early adopter

Answer: B

Page Ref: 357

Difficulty: Easy

LO: 12-5

95) Dialectic inquiry involves \_\_\_\_\_.

- A) restructuring the organization in order to make it more formal and centralized
- B) diversifying the business of the organization into unrelated areas
- C) creating a final plan out of many plans proposed by various teams
- D) replacing the top-management team

Answer: C

Page Ref: 357

Difficulty: Moderate

LO: 12-5

96) A(n) \_\_\_\_\_ organizational structure is, an informal organization of managers set up parallel to the formal organizational structure to "shadow" the decision-making and actions of managers in the formal organization.

- A) organic
- B) normative
- C) collateral
- D) mechanistic

Answer: C

Page Ref: 358

Difficulty: Easy

LO: 12-5

97) What are the two types of organizational decisions?

Answer: Organizational decision-making is the process of responding to a problem by searching for and selecting a solution or course of action that will create the most value for organizational stakeholders. To make the best choices, managers must make two kinds of decisions: programmed and nonprogrammed.

**Programmed decisions:** Programmed decisions are repetitive and routine. Programmed decision-making involves selecting the most effective—easy, repetitive, and routine—operating procedures to handle an organization's ongoing value-creation activities. Typically, the routines and procedures that result in the most efficient way of operating are formalized in advance in an organization's written rules and standard operating procedures (SOPs) and are present in the values and norms of its culture.

**Nonprogrammed decisions:** Nonprogrammed decisions are novel and unstructured.

Nonprogrammed decision-making involves managers making the most effective—creative, novel, and unstructured—decisions that allow an organization to find solutions to changing and uncertain conditions. No rules, routines, or SOPs can be developed to handle nonroutine problems in advance because they are unique or unexpected. So solutions often have to be found after new problems have arisen.

Page Ref: 334, 335

Difficulty: Easy

LO: 12-1

98) Describe the incrementalist model of decision-making.

Answer: According to the incrementalist model of organizational decision-making, when selecting a set of new alternative courses of action, managers tend to choose those that are only slightly, or incrementally, different from those used in the past, thus lessening their chances of making a mistake. Often called the science of "muddling through," the incrementalist model implies that managers rarely make major decisions that are radically different from decisions they have made before. Instead, they correct or avoid mistakes through a succession of incremental changes, which eventually may lead to a completely new course of action. The incrementalist model is very different from the rational model. According to the rational model, all-knowing decision makers weigh every possible alternative course of action and choose the best solution. According to the incrementalist model, managers, limited by lack of information and lack of foresight, move cautiously one step at a time to limit their chances of being wrong.

Page Ref: 339

Difficulty: Moderate

LO: 12-1



99) Describe the garbage-can model of decision-making.

Answer: The garbage-can model of decision-making turns the decision-making process around and argues that managers are as likely to start decision-making from the solution side as from the problem side. In other words, decision makers may propose solutions to problems that do not exist; they create a problem they can solve with solutions that are already available. While an organization's managers must tackle new problems of their own making, at the same time they must also generate alternatives and find solutions to problems that have arisen because of shifts in the environment or strains and stresses that stem from the way it operates. To further complicate decision-making, different coalitions of managers may champion different alternatives and compete for resources to implement their own chosen solutions. Thus decision-making becomes like a "garbage can" in which problems, solutions, and the preferences of different managers and coalitions all mix and contend with one another for organizational attention and action. In this situation, an organization becomes an "organized anarchy" in which the decision about which alternative to select depends on which manager or coalition has the most influence or power to sway other decision makers at that moment. Chance, luck, and timing also come into play in determining which alternative is selected. Often, the problem that is currently generating the most uncertainty for the organization is the one that has the best chance of being acted on, and this may change from week to week. decision-making becomes fluid, unpredictable, and even contradictory as the preferences and priorities of decision makers change.

Page Ref: 340, 341

Difficulty: Moderate

LO: 12-1

100) What are the two principal types of organizational learning strategies proposed by James March?

Answer: James March has proposed that two principal types of organizational learning strategies can be pursued: exploration and exploitation.

Exploration: Exploration involves organizational members searching for and experimenting with new kinds or forms of organizational activities and procedures to increase effectiveness.

Learning that involves exploration might involve finding new ways to manage the environment—such as experimenting with the use of strategic alliances and network organizations—or inventing new kinds of organizational structures for managing organizational resources—such as product team structures and cross-functional teams.

Exploitation: Exploitation involves organizational members learning ways to refine and improve existing organizational activities and procedures to increase effectiveness. Learning that involves exploitation might involve implementing a total quality management program to promote the continuous refinement of existing operating procedures, or developing an improved set of rules to perform specific kinds of functional activities more effectively.

Exploration is therefore a more radical learning strategy than exploitation, although both must be used together to increase organizational effectiveness.

Page Ref: 342, 343

Difficulty: Moderate

LO: 12-2

101) Explain the difference between adaptive cultures and inert cultures.

Answer: Adaptive cultures are those that value innovation and encourage and reward experimenting and risk taking by middle and lower-level managers. Inert cultures are those that are cautious and conservative, do not value middle and lower-level managers taking such action, and, indeed, may actively discourage such behavior. According to Kotter and Heskett, organizational learning is higher in organizations with adaptive cultures because managers can quickly introduce changes in the way the organization operates that allow the organization to adapt to changes occurring in the environment. This does not occur in organizations with inert cultures. As a result, organizations with adaptive cultures are more likely to survive in a changing environment and should have higher performance than organizations with inert cultures.

Page Ref: 346

Difficulty: Moderate

LO: 12-2

102) Explain the codification approach to knowledge management.

Answer: A codification approach results in collection of standardized organization best practices, rules, and SOPs that can be drawn on by anyone who needs them. With a codification approach, knowledge is carefully collected, analyzed, and stored in databases where it can be retrieved easily by users who input organization-specific commands and keywords. It is a form of bureaucratic control that can result in major gains in technical efficiency and allow an organization better to manage its environment.

A codification approach is only suitable when the product or service being provided is itself quite standardized so best practices can continually be discovered and entered into the knowledge management system to be used by others in the organization. It works best when the different functions in the organization are able to provide standardized information—about changing customer demands or product specifications, for example—that provides vital input to other functions so the level of mutual adjustment and learning between functions increases, resulting in major gains in effectiveness.

Page Ref: 348

Difficulty: Moderate

LO: 12-3

103) What is cognitive dissonance?

Answer: Cognitive dissonance is the state of discomfort or anxiety that a person feels when there is an inconsistency between his or her beliefs and actions. According to cognitive dissonance theory, decision makers try to maintain consistency between their images of themselves, their attitudes, and their decisions. Managers seek or interpret information that confirms and reinforces their beliefs, and they ignore information that does not. Managers also tend to seek information that is only incrementally different from the information they already possess and therefore supports their established position.

Cognitive dissonance theory explains why managers tend to misinterpret the real threats facing an organization and attempt to muddle through even when it is clear to many observers that the organization is in crisis. The desire to reduce cognitive dissonance pushes managers to adopt flawed solutions.

Page Ref: 350

Difficulty: Easy

LO: 12-4

104) Explain the cognitive bias of illusion of control.

Answer: Illusion of control is a cognitive bias that leads managers to overestimate the extent to which they can control a situation because they have the skills and abilities needed to manage uncertainty and complexity. In uncertain situations in which their ability and competence are really being tested, managers may develop irrational beliefs about their personal ability to manage uncertainty. They may, for example, overestimate their skills to enter new industries and embark on a huge acquisition program.

Page Ref: 351

Difficulty: Easy

LO: 12-4

105) Explain the difference between a wheel configuration and a circle configuration of a top-management team.

Answer: The way the top-management team is constructed and the type of people who are on it affect the level of organizational learning.

In the wheel configuration, organizational learning is decreased because managers from the different functions report separately to the CEO. Rather than coordinate their own actions as a team, they send all information to the CEO, who processes this information, arrives at a decision, and communicates the decision back to the top managers. Research suggests that the wheel works best when problems are simple and require minimal coordination among top team members. When problems are complex and nonprogrammed decision-making is required, the wheel configuration slows organizational learning because all coordination takes place through the CEO.

In the circle configuration, top managers from different functions interact with one another and with the CEO. That is, they function as a team, which promotes team and organizational learning. Research has suggested that the circle works best for complex problems requiring coordination among group members to arrive at a solution. The circle design solves complex problems much more quickly than the wheel arrangement. Communication around the circle takes less time because there is more opportunity for team and organization learning between all top managers.

Page Ref: 356, 357

Difficulty: Moderate

LO: 12-5

106) Explain the advantages of using a collateral organizational structure.

Answer: An organization can attempt to improve learning and decision-making by establishing a collateral organizational structure—that is, an informal organization of managers set up parallel to the formal organizational structure to "shadow" the decision-making and actions of managers in the formal organization. Managers in the formal structure know that their decisions are being evaluated by others and become used to examining the assumptions that they use to test alternatives and arrive at a solution. An organization establishes a collateral structure to improve the organization's ability to learn and adjust to new situations, and to enhance its ability to make decisions in an unstructured way. A collateral organizational structure allows an organization to maintain its capacity for change at the same time it maintains its stability.

Page Ref: 358

Difficulty: Easy

LO: 12-5