

CHAPTER NINE

ORGANIZATION SIZE, LIFE CYCLE AND DECLINE

MULTIPLE CHOICE

1. In contrast to large businesses, small business is characterized by:
- a. constituting a large percentage of all exporters.
 - b. decreasing percentage of employees in the economy as a whole.
 - c. fewer numbers, as merger mania continues to create a larger proportion of large firms in the world economy.
 - d. the front/back combinations that combine small units into larger ones.

ANSWER: a

2. What is the major goal of an organization during the entrepreneurial stage of the life cycle?
- a. Growth
 - b. Goal-setting
 - c. Survival
 - d. Complete organizational structure

ANSWER: c

3. During the _____ stage, the organization begins to develop clear goals and direction.
- a. entrepreneurial
 - b. elaboration
 - c. formalization
 - d. collectivity

ANSWER: d

4. Departments emerge and are established, along with a beginning division of labor, in a newly established hierarchy at which stage in the life cycle?
- a. Entrepreneurial
 - b. Formalization
 - c. Collectivity
 - d. Elaboration

ANSWER: c

5. Which of the following characterizes the formalization stage of the life cycle?
- a. More formal and less frequent communication
 - b. Top management concern with planning and strategy
 - c. Incentive system based on profits is implemented for managers
 - d. All of the above

ANSWER: d

6. Organizations going through the life cycle:
- a. usually reach elaboration in 12-18 months.
 - b. tend to become very bureaucratic by the collectivity stage.
 - c. usually resolve crises associated with each stage, or face restricted growth.
 - d. tend to experience their wildest and most rapid growth period in the formalization stage.

ANSWER: c

7. Which of the following is not a dimension of bureaucracy that Weber envisioned as desirable?
- a. Rules and procedures
 - b. Specialization and division of labor
 - c. Hierarchy of authority
 - d. Trained employees

ANSWER: d

8. Max Weber developed the concept of a bureaucracy to make organizations:
- a. more rational and efficient.
 - b. more empathetic.
 - c. less formal.
 - d. quicker to respond to stakeholders.

ANSWER: a

9. Rules and standard procedures as developed by Weber were to:
- a. help managers get tough with lazy employees.
 - b. keep managers in their positions of control and power.
 - c. enable activities to be performed in a predictable and routine manner.
 - d. punish anyone who got out of line.

ANSWER: c

10. A primary reason identified for the organizational design success of United Parcel Service was:
- a. its organic structure enables it to operate more efficiently than the bureaucratic U.S. Postal Service.
 - b. its adoption of the bureaucratic model.
 - c. that it doesn't have many rules or formalized procedures and thus can be more innovative.
 - d. it hires primarily college students who are the best employees possible.

ANSWER: b

11. Research on personnel ratios has found that:
- a. clerical and professional support staff ratios decrease in proportion to organization size.
 - b. small organizations are very inefficient because direct workers as a percent of total employees is so low.
 - c. personnel ratios for professional support staff are higher in small firms than in large firms.
 - d. there is a lowered administrative ratio in large firms.

ANSWER: d

12. Tyler Jones is the CEO of a medium-sized manufacturer of bedding and blankets. Tyler insists on making all decisions as to styles that are manufactured, the type of material that will be used in each, the sources from whom the company will purchase yard goods, thread, and buttons, and the shippers the company will use. Which of the following terms describes this company?
- a. Elaboration stage
 - b. Centralization
 - c. Formalization
 - d. Standardization

ANSWER: b

13. High formalization is most closely associated with which of the following?
- a. Organic structure
 - b. Small size
 - c. Large size
 - d. Responsive style

ANSWER: c

14. The primary reason that the CEO of a large company such as McDonald's would push decisions as far down the hierarchy as he can is to:
- a. develop managers.
 - b. make decisions more quickly.
 - c. appear more American and thereby increase sales.
 - d. save himself the trouble of making these decisions.

ANSWER: b

15. Carson is the manager of Cutter's Consulting, a consulting company composed of professionals from different fields. In such a company, Carson would be wise to:
- a. bring the organization immediately into revitalization.
 - b. have little formalization.
 - c. use as much authority as much as possible.
 - d. discourage horizontal communication because it violates the chain of command.

ANSWER: b

16. _____ was developed to maintain the efficiency and control benefits of bureaucracy yet prevent the problem of slow response to crises.

- a. Incident command system
- b. Market control
- c. Centralization
- d. Formalization

ANSWER: a

17. The basic idea behind _____ is that the organization can glide smoothly between a highly formalized, hierarchical structure that is effective during times of stability and a more flexible, loosely structured one needed to respond well to unexpected and demanding environmental conditions.

- a. decentralization
- b. ICS
- c. clan control
- d. formalization

ANSWER: b

18. The _____ is ultimately responsible for all activities that occur, and everyone knows clearly who is in charge of what aspect of the situation.

- a. clan control
- b. professional partnership
- c. incident commander
- d. bureaucratic control

ANSWER: c

19. A form of organization called _____ has emerged that is made up completely of professionals.

- a. incident commanders
- b. clan members
- c. formal collaborations
- d. professional partnerships

ANSWER: d

20. Which of the following is the use of rules, policies, hierarchy of authority, written documentation, standardization, and other bureaucratic mechanisms to standardize behavior and assess performance?

- a. Market control
- b. Bureaucratic control
- c. Traditional control
- d. Clan control

ANSWER: b

21. Which of the following is not a type of authority that could explain the creation and control of a large corporation?

- a. Charismatic authority
- b. Rational-legal authority
- c. Traditional authority
- d. **Competitive authority**

ANSWER: d

22. _____ authority is based on devotion to the exemplary character or to the heroism of an individual person and the order defined by him or her.

- a. Rational-legal
- b. Traditional
- c. **Charismatic**
- d. Informal

ANSWER: c

23. More than one type of authority may exist in organizations, but _____ authority is the most widely used form to govern internal work activities and decision making, particularly in large organizations.

- a. Traditional
- b. Charismatic
- c. Appointed
- d. **Rational-legal**

ANSWER: d

24. The use of _____ control requires that outputs be sufficiently explicit for a price to be assigned and that competition exist.

- a. bureaucratic
- b. clan
- c. traditional
- d. **market**

ANSWER: d

25. Clan control is most often used in:

- a. **small, informal organizations or in organizations with a strong culture.**
- b. small, formal organizations or in organizations with a weak culture.
- c. large, informal organizations or in organizations with a weak culture.
- d. large, formal organizations or in organizations with a strong culture.

ANSWER: a

26. A condition in which a substantial, absolute decrease in an organization's resource base occurs over a period of time is referred to as:
- a. market control.
 - b. bureaucracy.
 - c. organizational decline.
 - d. centralization.

ANSWER: c

27. All of the following are factors that cause organizational decline *except*:
- a. vulnerability.
 - b. increased product prices.
 - c. environmental decline or competition.
 - d. organizational atrophy.

ANSWER: b

28. In the _____ stage, denial occurs despite signs of deteriorating performance.
- a. blinded
 - b. inaction
 - c. faulty action
 - d. crisis

ANSWER: b

29. In which stage the organization faces serious problems, and indicators of poor performance cannot be ignored?
- a. Faulty action
 - b. Dissolution stage
 - c. Blinded
 - d. Crisis stage

ANSWER: a

30. When downsizing, all of the following can help smooth the downsizing process and ease tensions for employees who leave and remain *except*:
- a. help the survivors thrive.
 - b. communicate more, not less.
 - c. provide assistance to displaced workers.
 - d. let workers deal with the situation on their own and in their own ways.

ANSWER: d

TRUE / FALSE

1. Despite the increasing size of many companies, the economic vitality of the U.S. is tied to small and midsize businesses.
ANSWER: True
2. The front/back approach may be used to combine small units together in order to gain advantages of efficiencies.
ANSWER: False
3. There are ten stages of life cycle development that an organization must generally go through in order to reach the final stage when rewards are personal and aimed at those who contribute to organizational success.
ANSWER: False
4. In the collectivity stage, departments are established along with a hierarchy of authority, job assignments, and a beginning division of labor.
ANSWER: True
5. The following organization is in its collectivity stage: Employees at Ace identify with the company mission and goals, and they typically put in 55-hour workweeks. Ace is established in the marketplace, and is concentrating on getting more and more dealers to sign on. Ace does not have a written policies and procedures manual for its own employees.
ANSWER: True
6. The elaboration stage involves the installation and use of rules, procedures, and control systems.
ANSWER: False
7. In a large company going through the organizational life cycle, the replacement of top management may occur in its elaboration stage as it struggles to revitalize.
ANSWER: True
8. Ninety-nine percent of businesses that make it past the first year still fail within five years because they can't make the transition from the entrepreneurial stage.
ANSWER: False
9. The life cycle phenomenon is a powerful concept used for understanding problems facing organizations and how managers can respond in a positive way to move an organization to the next stage.
ANSWER: True
10. Weber believed that a well-managed bureaucracy would ensure efficient organizational functioning in both government and business settings.
ANSWER: True

11. As organizations become larger, greater centralization is necessary.
ANSWER: False
12. As organizations become larger, a larger percentage of top administrators is necessary.
ANSWER: False
13. As organizations become larger, a smaller percentage of technical and professional support staff is recommended.
ANSWER: False
14. Weber's prediction of the triumph of bureaucracy proved accurate.
ANSWER: True
15. As organizations increase in size, the net effect for direct workers is that they decline as a percentage of total employees.
ANSWER: True
16. The bureaucratic control system was developed to maintain the efficiency and control benefits of bureaucracy yet prevent the problem of slow response to crises.
ANSWER: False
17. The incident commander is ultimately responsible for all activities that occur, and everyone knows clearly who is in charge of what aspect of the situation.
ANSWER: True
18. The general finding concerning incident commanders is that branches have substantial autonomy and decentralized authority to make necessary decisions.
ANSWER: False
19. Increased training can substitute for bureaucratic rules and procedures.
ANSWER: True
20. Traditional authority refers to control coming from exemplary character of an individual and the aura he or she creates.
ANSWER: False
21. Market control is most frequently used in the control of functional departments.
ANSWER: False
22. Clan control is generally used by companies that are small and informal or have a strong culture.
ANSWER: True
23. Communicating more, not less, providing assistance to displaced workers, and help the survivors thrive are three ways for organizations to deal with downsizing.
ANSWER: True

ESSAY

1. Describe the differences between large and small organizations.
2. Is bigger organization size better? Whether you say yes or no, defend your answer. Then explain the countering or opposite position, trying to make it as convincing an argument as you can.
3. Explain the relationship between organizational size and at least three specific structural characteristics.
4. Discuss each stage of the life cycle.
5. Describe the life cycle of a specific organization that has gone through at least three stages of the organizational life cycle. In your answer explain the crisis this organization is now facing, and how you would recommend that it overcome its crisis.
6. If Max Weber were living in the United States today, and observing the push away from bureaucracy, what do you think he would say? Would he defend the use of bureaucracy today, or are there different environmental factors that would cause him to abandon bureaucracy?
7. Describe Weber's dimensions of bureaucracy and bases of organizational authority.
8. Why would a large organization tend to be more formalized?
9. How should personnel ratios be managed in a small firm?
10. Explain the patterns found in the study of personnel ratios for administrative, clerical, and professional support staff.
11. Max Weber wrote during a time in world history when favoritism and payoffs were common techniques for personnel action. He was opposed to such methods. What did he recommend as the basis of control for organizational decisions and activities? Within the larger society, what three types of authority did he suggest for explaining control of a large organization?
12. Describe the incident command system.
13. Discuss the approaches to reducing bureaucracy.
14. Compare and contrast the three types of organizational control strategies.

15. Discuss the causes for organizational decline. List and define the stages of organizational decline.
16. Discuss how an organization can help smooth the downsizing process and ease tensions for employees who leave and remain.
17. Government organizations often seem to be more bureaucratic than for-profit organizations such as the Ansel Adams Gallery, a family business that markets beautiful photography of the Sierras. Could this partly be the result of the type of control used in the respective organizations? Explain.
18. The manager of an established small manufacturing plant said, "We can't compete with large organizations because they have the advantage of economies of scale." Draw from the chapter on organization size to discuss his position, explaining any factors that might counter his position to some extent. How should he manage in order to take advantage of the firm's small size?
19. An e-commerce organization is in its sixth month of online operations selling academic regalia for graduation. The founders had long had their own personal web pages, and had stumbled upon an inexpensive source for the sewing of gowns. They invested all their savings and took out a loan in order to finance the inventory and equipment needed to go into business. By March of its first year of operations, an unexpectedly large number of orders reached the company. The founders devoted their full energies to getting product where it needed to be in time for graduation. At odd hours of day and night, they could be found doing anything from the job of the information systems specialist they had recently hired, to the job of the mail clerks. As this company grows and takes on related product lines, what would you expect to happen as they go through the stages of development?
20. Your rich uncle owns his own entrepreneurial business and is trying to decide how large it should become. He has asked you to tell him what is the optimum size for a business. Write your response to him.
21. Identify an organization in which you have worked. Analyze its management as related to size of the organization.