

Chapter 3 Organisational environments and cultures

TRUE/FALSE

1. The two kinds of external organisational environments are the general environment that affects all organisations and the specific environment that is unique to each company.

ANS: T PTS: 1 DIF: Easy TOP: Changing environments

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

ANS: T PTS: 1 DIF: Easy TOP: Changing environments

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

ANS: F PTS: 1 DIF: Difficult TOP: Changing environments

4. Environmental complexity refers to the number of external factors in the environment that affect organisations.

ANS: T PTS: 1 DIF: Moderate TOP: Changing environments

5. Resource scarcity is the degree to which an organisation's external environment has an abundance or lack of critical organisational resources.

ANS: T PTS: 1 DIF: Moderate TOP: Changing environments

6. Under conditions in which the rate of both environmental change and complexity go up while environmental resources become scarce, environmental uncertainty can be expected to increase.

ANS: T PTS: 1 DIF: Moderate TOP: Changing environments

7. The general segment of a company's external environment consists of customers, regulators, competitors, suppliers and advocacy groups.

ANS: F PTS: 1 DIF: Easy TOP: Changing environments

8. The general segment of a company's external environment is unique to each firm's industry and directly affects the way it conducts day-to-day business.

ANS: F PTS: 1 DIF: Easy TOP: Changing environments

9. Changes in any sector of the general environment eventually affect mostly larger organisations.

ANS: F PTS: 1 DIF: Moderate TOP: Changing environments

10. The specific segment of an organisation's external environment is unique to its industry.

ANS: T PTS: 1 DIF: Easy TOP: Changing environments

11. Business confidence indices are a viable alternative to environmental scanning for management decision making.

ANS: F PTS: 1 DIF: Moderate TOP: Changing environments

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

ANS: F PTS: 1 DIF: Moderate TOP: Changing environments

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

ANS: F PTS: 1 DIF: Easy TOP: General environment

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

ANS: F PTS: 1 DIF: Easy TOP: General environment

15. Proactive customer monitoring is identifying and addressing customer trends and problems after they occur.

ANS: F PTS: 1 DIF: Easy TOP: General environment

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

ANS: T PTS: 1 DIF: Easy TOP: General environment

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

ANS: F PTS: 1 DIF: Easy TOP: Specific environment

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

ANS: F PTS: 1 DIF: Moderate TOP: Specific environment

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

ANS: F PTS: 1 DIF: Moderate TOP: Specific environment

20. The three techniques that can be used by the media to influence companies are public communications, advocacy and product boycotts.

ANS: F PTS: 1 DIF: Easy TOP: Specific environment

21. Advocacy groups directly regulate organisation practices.

ANS: F PTS: 1 DIF: Moderate TOP: Specific environment

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

ANS: T PTS: 1 DIF: Easy TOP: Making sense of changing environments

23. Managers can only make sense of their changing external environments by completing all three of the following steps: Step 1) environmental scanning, Step 2) interpreting environmental factors and Step 3) acting on threats and opportunities.

ANS: T PTS: 1 DIF: Moderate TOP: Making sense of changing environments

24. Organisational design refers to the set of key values, beliefs and attitudes shared by organisational members.

ANS: F PTS: 1 DIF: Easy TOP: Making sense of changing environments

25. Senior managers are people celebrated for their qualities and achievements within the organisation.

ANS: F PTS: 1 DIF: Easy TOP: Making sense of changing environments

26. After the company founders are gone, stories and heroes can help to sustain the founder's values, attitudes and beliefs in the organisational culture.

ANS: T PTS: 1 DIF: Easy TOP: Making sense of changing environments

27. Organisational stories are used to make sense of organisational events and changes.

ANS: T PTS: 1 DIF: Difficult TOP: Making sense of changing environments

28. Extensive research demonstrates clearly that organisational culture is strongly related to organisational success.
- ANS: F PTS: 1 DIF: Difficult TOP: Making sense of changing environments
29. Successful organisational cultures seem to be based solely upon consistency, i.e., 'strength' of the organisational culture.
- ANS: F PTS: 1 DIF: Easy TOP: Making sense of changing environments
30. The term 'behavioural multiplication' refers to the process of having managers and employees perform new behaviours that are central to and symbolic of the new organisational culture that a company wants to create.
- ANS: F PTS: 1 DIF: Easy TOP: Organisational cultures: creation, success and change
31. When used together, the combination of behavioural substitution, behavioural addition and changing visible artefacts is extremely likely to achieve the desired changes in organisational culture.
- ANS: F PTS: 1 DIF: Difficult TOP: Making sense of changing environments

MULTIPLE CHOICE

1. What are the two types of external organisational environments?
- General and the specific
 - Public and private
 - Global and the national
 - Organisational and the interpersonal
 - Market-specific and the product-specific
- ANS: A PTS: 1 DIF: Easy TOP: Changing environments
2. In terms of external organisational environments, the _____ environment affects all organisations while the _____ environment is unique to each company.
- global; national
 - customer-driven; production-driven
 - general; specific
 - informal; formal
 - specific; general
- ANS: C PTS: 1 DIF: Easy TOP: Changing environments
3. All events outside a company that have the potential to influence or affect it occur in the _____ environment.
- specific

- b. external
- c. formal
- d. potential
- e. national

ANS: B PTS: 1 DIF: Moderate TOP: Changing environments

4. Which of the following is a type of company most likely to be facing a dynamic environment?
- a. A video game manufacturer
 - b. A bakery
 - c. A brewery, winery, or distillery in the liquor industry
 - d. A manufacturer of pet food
 - e. A cereal manufacturer

ANS: A PTS: 1 DIF: Moderate TOP: Changing environments

5. According to the _____, companies go through long, simple periods of environmental stability; followed by short, complex periods of dynamic, fundamental environmental change; finishing with a return to environmental stability.
- a. environmental change theory
 - b. theory of environmental dynamics
 - c. punctuated equilibrium theory
 - d. theory of resource scarcity
 - e. environmental cycle

ANS: C PTS: 1 DIF: Moderate TOP: Changing environments

6. Over the past 20 years, which of the following is an industry that has experienced both the stable and dynamic environments predicted by punctuated equilibrium theory?
- a. The airline industry
 - b. The banking industry
 - c. The video game industry
 - d. The breakfast cereal industry
 - e. The landscaping industry

ANS: A PTS: 1 DIF: Easy TOP: Changing environments

7. Imagine an Australian car manufacturer wanted to export its 4WDs to Chad in Africa. The knowledge that the distribution of income within Chad is highly unequal and about 75 per cent of the population is below the poverty line would be a(n) _____ component in the manufacturer's general environment.
- a. technological
 - b. sociocultural
 - c. economic
 - d. political/legal
 - e. demographic

ANS: C PTS: 1 DIF: Difficult TOP: Changing environments

8. A company facing a simple environment would:
- a. most likely be in the first stage of the environmental cycle

- b. exhibit proof of the punctuated equilibrium theory
- c. be unable to succeed due to lack of innovation
- d. be influenced by only factors in its specific environment
- e. have few external factors in the environment that affect it

ANS: E PTS: 1 DIF: Moderate TOP: Changing environments

9. In terms of environmental complexity, _____ environments have few environmental factors, whereas _____ environments have many environmental factors.
- a. non-competitive; competitive
 - b. simple; complex
 - c. stable; dynamic
 - d. scarce; abundant
 - e. market-oriented; product-oriented

ANS: B PTS: 1 DIF: Easy TOP: Changing environments

10. _____ is the degree to which an organisation's external environment has an abundance or scarcity of critical organisational resources.
- a. Environmental complexity
 - b. Environmental capacity
 - c. Differentiation opportunity
 - d. Environmental dynamism
 - e. Resource scarcity

ANS: E PTS: 1 DIF: Moderate TOP: Changing environments

11. In a very strong economy, where the demand for qualified job applicants exceeds the supply, the environmental characteristic of _____ is likely to be particularly salient for many companies.
- a. environmental complexity
 - b. demographic factors
 - c. resource scarcity
 - d. environmental uncertainty
 - e. instability

ANS: C PTS: 1 DIF: Moderate TOP: Changing environments

12. Environmental _____ is affected by environmental complexity, change and resources.
- a. uncertainty
 - b. differentiation
 - c. difficulty
 - d. essence
 - e. entrepreneurship

ANS: A PTS: 1 DIF: Difficult TOP: Changing environments

13. Legislation concerning the disposal of biological wastes, the development of more sophisticated imaging machines and longer patient life spans would all be part of the _____ for a public hospital.
- a. internal environment
 - b. specific environment

- c. sociocultural environment
- d. general environment
- e. environmental differentiation

ANS: D PTS: 1 DIF: Moderate TOP: Changing environments

14. The _____ environment consists of the economy and the technological, sociocultural and political/legal trends that indirectly affect all organisations.
- a. economic
 - b. specific
 - c. general
 - d. indirect
 - e. direct

ANS: C PTS: 1 DIF: Easy TOP: Changing environments

15. Which of the following is a component of the specific environment that would directly influence a restaurant's day-to-day operation?
- a. Its regular customers
 - b. Gross national product
 - c. A trend toward eating less fat
 - d. More rigid enforcement of occupational health and safety laws
 - e. The economic outlook of the country in which it is located

ANS: A PTS: 1 DIF: Moderate TOP: General environment

16. Changes in any sector of the general environment:
- a. will typically not impact most organisations
 - b. tend to slow down how quickly an organisation moves through the environmental cycle
 - c. inhibit the innovation process
 - d. influence customers first and then suppliers
 - e. will eventually affect most organisations.

ANS: E PTS: 1 DIF: Moderate TOP: Changing environments

17. Which of the following is a component of Cokes' specific environment and will directly influence how it does business?
- a. Pepsi
 - b. Laws concerning waste disposal
 - c. Inflation
 - d. The increased popularity of energy drinks
 - e. The development of vending machines that accept debit cards

ANS: A PTS: 1 DIF: Easy TOP: General environment

18. Which of the following is a component of a book publisher's general environment and will indirectly influence how it does business?
- a. Other book publishing companies
 - b. Copyright laws
 - c. An advocacy group supporting free books for children
 - d. A trend toward less leisure time
 - e. Paper and ink suppliers

ANS: D PTS: 1 DIF: Moderate TOP: Changing environments

19. Which of the following is the least aggressive approach likely to be used by an advocacy group?
- a. Public communications
 - b. Media advocacy
 - c. Product boycotts
 - d. Class action lawsuits
 - e. Picketing

ANS: A PTS: 1 DIF: Difficult TOP: Specific environment

20. Burger Prince is a fast-food restaurant chain that is famous for its small, square hamburgers. The chain began prior to World War II. Which of the following would have been part of its specific environment during the war?
- a. Increased demand for American icons in international markets
 - b. Reduced disposable income for luxuries
 - c. Innovations in new meat preservation techniques
 - d. Government-mandated beef rationing as a result of World War II
 - e. All of the options given

ANS: D PTS: 1 DIF: Difficult TOP: Specific environment

21. Managers often prefer to use business confidence indices:
- a. to identify sociocultural trends
 - b. as predictors of future economic activity when making business decisions
 - c. which are based on intuition and experience
 - d. to encourage customers to make long-term buying decisions
 - e. to improve consumer confidence forecasts

ANS: B PTS: 1 DIF: Difficult TOP: Changing environments

22. Technology is the _____ used to transform inputs (raw materials, information, etc.) into outputs (products or services).
- a. knowledge, tools and techniques
 - b. knowledge and machinery
 - c. plans and machinery
 - d. tools and techniques
 - e. strategy and tactics

ANS: A PTS: 1 DIF: Moderate TOP: Changing environments

23. More premature babies than ever before are surviving due to improvements in medical knowledge and care. This improved survival rate has influenced the _____ component of hospitals.
- a. technological
 - b. sociocultural
 - c. economic
 - d. political/legal
 - e. demographic

ANS: A PTS: 1 DIF: Moderate TOP: Changing environments

24. Tourism was not the only travel-associated industry that has been visibly hurt by the events of 9/11 and subsequent global terror attacks. People decided to vacation at home and sales of video game consoles and online streaming services like Netflix increased. This decision to stay at home reflects a change in attitudes toward the perceived safety of long-distance travelling. This is an example of a change in the _____ component of the general environment.
- a. sociocultural
 - b. technological
 - c. economic
 - d. competitive
 - e. geographic

ANS: A PTS: 1 DIF: Easy TOP: Changing environments

25. Fear of a lawsuit prevents many employers from giving totally honest recommendations to former employees. This reflects a change in the _____ component of the general environment.
- a. technological
 - b. social
 - c. economic
 - d. political/legal
 - e. demographic

ANS: D PTS: 1 DIF: Easy TOP: General environment

26. The manager of a company that produces soy-based sausage wants to conduct a competitive analysis. During this competitive analysis, he should look at:
- a. companies that supply the raw materials for his products
 - b. Morningstar, a company that has a complete line of soy-based products
 - c. the soy food-product industry regulators
 - d. SoyFarm a producer of soy based food supplements

ANS: B PTS: 1 DIF: Moderate TOP: General environment

27. Burger Prince is a fast-food restaurant chain that is famous for its small, square hamburgers. Which of the following would be a component of its sociocultural environment?
- a. a period of business prosperity
 - b. the development of fully automated drive-through windows
 - c. a price war with Burger King and McDonald's
 - d. the fact most consumers prefer eating out rather than at home
 - e. regulations passed by the Food Standards Australia New Zealand Act 1991.

ANS: D PTS: 1 DIF: Moderate TOP: Changing environments

28. Which of the following is *not* a dimension of the political/legal component of the general environment that governs and regulates business behaviour?
- a. Legislation
 - b. Competitive products
 - c. Court decisions
 - d. Regulation
 - e. Customer-initiated lawsuits

ANS: B PTS: 1 DIF: Easy TOP: General environment

29. Burger Prince is a fast-food restaurant chain that is famous for its small, square hamburgers. Which of the following would be a component of its general environment?
- a. Meat processing companies that provide its ground beef
 - b. Consumers who will drive miles out of their way to eat a Burger Prince burger
 - c. Boycotts advocated by a radical vegetarian group
 - d. Local zoning laws that designate the appropriate distance from the street for a Burger Prince restaurant to be located
 - e. Inflation

ANS: E PTS: 1 DIF: Difficult TOP: Changing environments

30. Which of the following is *not* a potential legal risk associated with traditional managerial decisions like recruiting, hiring and firing employees?
- a. Negligent supervision
 - b. Invasion of privacy
 - c. Product liability
 - d. Defamation
 - e. A charge of emotional distress

ANS: C PTS: 1 DIF: Moderate TOP: General environment

31. Two homebuilders are building homes in nearby subdivisions. One is offering 2500 square metres homes with two-acre blocks. The other is offering a similar size of house with quarter-acre blocks. The builder offering the smaller lots cannot keep up with demand. The builder offering the larger lots has several unsold houses. The builder with the larger lots could use _____ to determine why his homes are not selling.
- a. proactive customer monitoring
 - b. consumer confidence forecasts
 - c. demographic information
 - d. reactive customer monitoring
 - e. a competitive location study

ANS: D PTS: 1 DIF: Moderate TOP: General environment

32. _____ is used to refer to a company's practice of identifying and addressing customer trends and problems after they occur.
- a. Consumer confidence forecasts
 - b. Competitive analysis
 - c. Reactive customer monitoring
 - d. Proactive customer monitoring
 - e. Continuous data mining

ANS: C PTS: 1 DIF: Easy TOP: General environment

33. Two homebuilders are building homes in nearby subdivisions. One is offering 2500 square metres homes with two-acre blocks. The other is offering a similar size of house with quarter-acre blocks. The builder offering the smaller lots cannot keep up with demand. The builder offering the larger lots has several unsold houses. The builder with the smaller lots most likely used _____ to determine what homebuyers desired.
- a. reactive customer monitoring
 - b. proactive customer monitoring
 - c. competitive analysis
 - d. environmental munificence
 - e. consumer confidence forecasts

ANS: B PTS: 1 DIF: Difficult TOP: General environment

34. _____ involves deciding who your competitors are, anticipating competitors' moves and determining competitors' strengths and weaknesses.
- a. Competitive mapping
 - b. A market audit
 - c. A SWOT analysis
 - d. A proactive strategy
 - e. A competitive analysis

ANS: E PTS: 1 DIF: Easy TOP: General environment

35. Companies doing a competitive analysis typically 'err' by:
- a. doing an incomplete job of identifying competitors
 - b. overestimating their competition
 - c. ignoring proactive monitoring
 - d. relying on competitive intelligence
 - e. all of the options given

ANS: A PTS: 1 DIF: Moderate TOP: General environment

36. Typically the most important factor in the relationship between companies and their suppliers is:
- a. how dependent they are on each other
 - b. how much they know about each other
 - c. how compatible their organisational cultures are
 - d. the type of product being manufactured
 - e. all of the options given

ANS: A PTS: 1 DIF: Easy TOP: Specific environment

37. An increase in _____ can lead to opportunistic behaviour in which one party benefits at the expense of the other.
- a. managerial commitment
 - b. buyer dependence
 - c. industry regulation
 - d. advocacy group activities
 - e. consumer confidence indicators

ANS: B PTS: 1 DIF: Moderate TOP: Specific environment

38. At one time it was very difficult for independent booksellers to carry all the books from the different publishers. Book ordering was time-consuming and frustrating when orders did not arrive in a timely fashion. Returning unsold books was an equally miserable experience. The creation of Ingram Distribution allowed the booksellers to streamline the ordering and return procedures. Ingram made all the books bookstore owners wanted to carry available in one centralised warehouse. Many new bookstore owners would be unwilling and/or unable to return to the method of ordering books from the individual publishers. This is an example of the creation of:
- a. high buyer dependence on a supplier
 - b. pure competition
 - c. transactional freedom
 - d. high supplier dependence on a buyer
 - e. none of the options given

ANS: A PTS: 1 DIF: Moderate TOP: Specific environment

39. Small manufacturers often are successful because Bunning's agrees to carry their products. If Bunning's does not like a price increase, it often will refuse to do business with the manufacturer. At this point, many small manufacturers will offer price reductions because they fear failure if they lose the Bunning's account. The relationship between these small manufacturers and Bunning's can be described as:
- a. buyer dependent
 - b. relationship based
 - c. transformational
 - d. supplier dependent
 - e. none of the options given

ANS: A PTS: 1 DIF: Moderate TOP: Specific environment

40. A high degree of buyer or seller dependence can lead to _____ in which one party benefits at the expense of the other.
- a. relationship behaviour
 - b. transactional behaviour
 - c. behavioural monogamy
 - d. relational monopoly
 - e. opportunistic behaviour

ANS: E PTS: 1 DIF: Easy TOP: Specific environment

41. In setting up his new office, a lawyer wanted furnishings that were elegant and that would make them look successful. The lawyer wanted thick, plush carpeting in their office, but local council planning regulations state that because his office is a public area, it must be wheelchair accessible. Wheelchairs do not manoeuvre well in thick carpeting. The building inspector had him remove the expensive carpeting and replace it with a carpet that did allow wheelchair manoeuvrability. This is an example of how the _____ component of a company's general environment influences it.
- a. sociocultural
 - b. economic
 - c. political/legal
 - d. supplier

e. industry regulation

ANS: C PTS: 1 DIF: Moderate TOP: Specific environment

42. An emphasis on _____ is likely to decrease opportunistic behaviour but will never completely eliminate it.
- a. buyer dependence
 - b. supplier dependence
 - c. industry regulation
 - d. relationship behaviour
 - e. competitive advocacy

ANS: D PTS: 1 DIF: Difficult TOP: Specific environment

43. Burger Prince is a fast-food restaurant chain that is famous for its small, square hamburgers. Which of the following would be an industry regulation component of its specific environment?
- a. an increase in the prime lending rate
 - b. local health inspectors
 - c. class-action suits against all fast-food restaurants
 - d. inflation
 - e. all of the options given

ANS: B PTS: 1 DIF: Moderate TOP: Specific environment

44. An advertisement paid for by a local real estate agency encourages people to be proud of their local community. The ad was not designed to sell any property of the company—rather it is designed to counter recent bad publicity of local youths smashing shop windows. This ad would be an example of:
- a. narrowcasting
 - b. institutional communications
 - c. media advocacy
 - d. a product boycott
 - e. lobbying

ANS: C PTS: 1 DIF: Moderate TOP: Specific environment

45. _____ is a tactic in which an advocacy group actively tries to convince consumers to not purchase a company's product or service.
- a. Lobbying
 - b. Public communications
 - c. Media advocacy
 - d. Product boycott
 - e. Market denigration

ANS: D PTS: 1 DIF: Easy TOP: Specific environment

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

- a. Media advocacy
- b. Product boycotts
- c. Public communications
- d. Requiring a business license
- e. Lobbying

ANS: B PTS: 1 DIF: Moderate TOP: Specific environment

47. The first step managers take to make sense of their changing environments is:

- a. environmental scanning
- b. perceptual re-engagement
- c. modifying budgets
- d. downsizing
- e. benchmarking

ANS: A PTS: 1 DIF: Easy TOP: Making sense of changing environments

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

- a. Perceptual re-engagement
- b. Environmental laddering
- c. Acting on threats and opportunities
- d. Creating strategic windows
- e. Behaviouristic relations

ANS: C PTS: 1 DIF: Difficult TOP: Making sense of changing environments

49. Managers should not use environmental scanning to:

- a. reduce uncertainty
- b. stay up-to-date on factors in their industry
- c. develop and implement their organisational strategies
- d. develop and sustain their organisational culture
- e. improve organisational performance

ANS: D PTS: 1 DIF: Moderate TOP: Making sense of changing environments

50. Kodak makes both camera equipment and paper for printing pictures. Kodak would view the growing popularity of digital cameras as a(n) _____ in its external environment due to their affect on sales of cameras that use film. On the other hand, Kodak would view the growing popularity of digital cameras as a(n) _____ in their external environment if it considered the amount of Kodak processing paper used in printing pictures made by digital cameras.

- a. strength; weakness
- b. risk; certainty
- c. opportunity; threat
- d. certainty; risk
- e. threat; opportunity

ANS: E PTS: 1 DIF: Moderate TOP: Making sense of changing environments

51. The term _____ refers to the events and trends inside an organisation that affect management, employees and the organisational culture.
- a. managerial environment
 - b. internal environment
 - c. industry environment
 - d. general environment
 - e. organisational structure

ANS: B PTS: 1 DIF: Easy TOP: Making sense of changing environments

52. The _____ is the set of key values, beliefs and attitudes shared by members of an organisation.
- a. industry code of ethics
 - b. internal environment
 - c. organisational culture
 - d. organisational strategy
 - e. organisational vision

ANS: C PTS: 1 DIF: Moderate TOP: Making sense of changing environments

53. When Rebecca started work at Henderson Textile Co., she was amazed at some of her colleagues who would take thirty-minute restroom breaks, leave for the day at 2 pm and generally belittle the company's management. Such employees' actions represent an inconsistency between individual values and:
- a. general environment
 - b. benchmark
 - c. response to an opportunity
 - d. organisational culture
 - e. formalisation strategy

ANS: D PTS: 1 DIF: Easy TOP: Making sense of changing environments

54. _____ is a primary source of organisational culture.
- a. The company's founder
 - b. The organisation's competitive strategy
 - c. The industry in which the organisation operates
 - d. Suppliers
 - e. Customers

ANS: A PTS: 1 DIF: Moderate TOP: Making sense of changing environments

55. After an organisation's founders are gone, the organisation can use _____ to sustain its organisational culture.
- a. industry associations
 - b. organisational heroes
 - c. organisational structure
 - d. organisational maps

e. reciprocal formalisation

ANS: B PTS: 1 DIF: Easy TOP: Making sense of
changing environments

56. According to a book by a Harvard Business School professor, some organisational cultures simply cannot meet the challenges posed by innovation and must respond to threats from new technologies by building outside ventures. Digital Equipment is described as having one of those organisational cultures that did not have _____. The company squandered the opportunities presented by the PC revolution even though it was well equipped to build cheap PCs.
- a. adaptability
 - b. synergy
 - c. a formula for success laddering
 - d. knowledge management
 - e. comprehension

ANS: A PTS: 1 DIF: Difficult TOP: Making sense of
changing environments

57. Which of the following is a characteristic of successful organisational cultures?
- a. Rigidity
 - b. Generous benefit scheme
 - c. Division of labour
 - d. A clear mission

ANS: D PTS: 1 DIF: Easy TOP: Making sense of
changing environments

58. The Australian Wallabies rugby union team develops a sense of history for its current players like David Pocock and Stephen Moore by raising banners showing a successful season and the retired numbers of great players from the past like John Eales and Nick Farr-Jones in its grounds and changing room. What tactics for maintaining organisational culture are the Australian Wallabies using?
- a. Organisational complexity and consistency
 - b. Organisational benchmarking
 - c. Organisational stories and organisational heroes
 - d. Cultural laddering
 - e. Behavioural addition and behavioural substitution

ANS: C PTS: 1 DIF: Easy TOP: Making sense of
changing environments

59. The purpose of the NSW Organic Farmers and Gardeners Association (NSWOFGA) is to promote the production of safe, high quality food in a manner that does not harm the environment and that preserves or improves soil fertility, soil structure and farm sustainability. This is the organisation's vision which:
- a. guides the decisions and behaviours of the people who are members of the organisation
 - b. is changed quarterly in response to external environmental changes
 - c. responds well to behavioural addition and subtraction
 - d. creates a framework for industry-wide comparisons
 - e. allows it to compete internationally

ANS: A PTS: 1 DIF: Moderate TOP: Organisational cultures:
creation, success and change

60. TGI Friday's is a chain of more than 2000 restaurants. Its employees cheerfully admit that the restaurants are 'delightfully tacky, yet unrefined'. The reason the company exists is apparent to all of its employees—its purpose is fun. The concept of making eating out consistently fun for families is an example of its:
- a. adaptability
 - b. responsiveness
 - c. involvement
 - d. vision
 - e. consistency

ANS: D PTS: 1 DIF: Moderate TOP: Organisational cultures:
creation, success and change

61. One of the difficulties encountered in recent mergers has been the inability of employees in the two existing organisational cultures to operate harmoniously. In other words, both merging organisational cultures lacked the _____ that would have increased the likelihood of the merger's success.
- a. responsiveness
 - b. adaptability
 - c. involvement
 - d. consistency
 - e. validity

ANS: B PTS: 1 DIF: Moderate TOP: Making sense of
changing environments

62. One of the problems with many of the dot-com companies that failed was a lower and middle management adherence to innovation and an expectation that work would be fun while top management envisioned the company being profitable and the elimination of unnecessary expenses. These companies lacked _____ in their organisational cultures.
- a. empathy
 - b. formalisation
 - c. consistency
 - d. broad spans of management
 - e. responsiveness

ANS: C PTS: 1 DIF: Difficult TOP: Making sense of
changing environments

63. A company's vision:
- a. is not important
 - b. can confuse the organisation's strategic purpose and direction apparent to everyone
 - c. can help to guide decision making under conditions of environmental uncertainty
 - d. illustrates the code of conduct

ANS: C PTS: 1 DIF: Moderate TOP: Organisational cultures:
creation, success and change

64. Organisations use behavioural addition, behavioural substitution and _____ to change their organisational culture.
- a. media advocacy
 - b. visible artefacts
 - c. psychological counselling
 - d. affective stores
 - e. incremental valences

ANS: B PTS: 1 DIF: Easy TOP: Organisational cultures: creation, success and change

65. _____ is the process of having managers and employees perform new behaviours that are central to and symbolic of the new organisational culture that a company wants to create.
- a. Relationship transformation
 - b. Behavioural substitution
 - c. Partnering
 - d. Attitudinal modification
 - e. Behavioural addition

ANS: E PTS: 1 DIF: Moderate TOP: Organisational cultures: creation, success and change

66. When using _____ to change organisational culture, the key to success is to choose behaviours that are central to and symbolic of the 'old' culture you are changing and the 'new' culture you want to create.
- a. attitudinal motivation and conditioned learning
 - b. behavioural substitution and behavioural addition
 - c. conditioned and classical learning
 - d. negative and positive reinforcements
 - e. organisational stories and heroes

ANS: B PTS: 1 DIF: Difficult TOP: Organisational cultures: creation, success and change

67. Which of the following approaches will guarantee the successful change of an organisational culture?
- a. Employee munificence
 - b. Perceptual substitution
 - c. The recognition of new organisational heroes
 - d. New organisational stories
 - e. None of the options given

ANS: E PTS: 1 DIF: Moderate TOP: Organisational cultures: creation, success and change

68. Managers can use behavioural addition and behavioural substitution to:
- a. create benchmarks
 - b. assess the threats and opportunities in the internal environment
 - c. develop new products
 - d. locate new markets for existing products
 - e. modify corporate culture

ANS: E PTS: 1 DIF: Moderate TOP: Organisational cultures:
creation, success and change

69. In order to change an organisational culture, top management can persuade other managers and employees to perform a new behaviour in place of an older one. This technique is called:
- behavioural iteration
 - behavioural substitution
 - behavioural subtraction
 - organisational acculturation
 - replacement behaviour

ANS: B PTS: 1 DIF: Easy TOP: Organisational cultures:
creation, success and change

70. When Samsonite (luggage manufactures) purchased American Tourister, one of the first things the new management did was to eliminate the gorilla (which had appeared in all American Tourister ads for years and which represented the quality construction of American Tourister luggage). For American Tourister employees, the gorilla had been a symbol of quality and commitment. The executive order to remove the gorilla posters from the walls of offices and factories was one of the means Samsonite used to change the organisational culture at American Tourister. The gorilla posters were an example of:
- visible artefacts
 - iconic representations
 - organisational metaphors
 - organisational allegories
 - imbued technology

ANS: A PTS: 1 DIF: Moderate TOP: Organisational cultures:
creation, success and change

71. A mace is commonly used at a university or parliament convocation ceremony. The mace was originally a weapon, then became the symbol of government and now has become the symbol of authority of the institution to grant diplomas or degrees. In terms of organisational culture, the mace is an example of a(n):
- visible artefact
 - iconic representation
 - organisational metaphor
 - organisational allegory
 - imbued legend

ANS: A PTS: 1 DIF: Moderate TOP: Organisational cultures:
creation, success and change

72. Which of the following statements regarding corporate cultures is true?
- Corporate cultures are dynamic creations that respond positively to change.
 - Corporate cultures are unaffected by changes in benefits, office layouts or work relationships.
 - Corporate cultures are very difficult to change.
 - Any manager who wants to modify a corporate culture must follow the cultural change plan, which begins with employee input and ends with behavioural addition and/or

substitution.

- e. Corporate culture change is significantly easier with behavioural addition than with behavioural subtraction.

ANS: C PTS: 1 DIF: Difficult TOP: Organisational cultures: creation, success and change

73. If a company wanted to change its organisational culture, it could begin by:

- a. creating a new human resources department
- b. hiring a cultural ombudsman
- c. adhering to affirmative action regulations
- d. allowing employees to personalise their cubicles
- e. giving everyone raises

ANS: D PTS: 1 DIF: Moderate TOP: Organisational cultures: creation, success and change

74. Which of the following is a viable strategy for changing organisational culture?

- a. Enforce strict new rules.
- b. Use behavioural substitution and behavioural addition.
- c. Use office gossip to spread news of upcoming changes.
- d. Maintain the company dress code.

ANS: B PTS: 1 DIF: Easy TOP: Organisational cultures: creation, success and change

75. If a company operates according to the punctuated equilibrium theory, it:

- a. incorporates both planning and control within the company's long-term strategy
- b. operates with a virtually flat organisational structure
- c. has periods of long stability punctuated by short periods of dynamic change
- d. motivates its employees by maintaining a salary/wage equilibrium
- e. emphasises working in harmony with its environments

ANS: C PTS: 1 DIF: Moderate TOP: Changing environments

76. Dofasco Inc. is a different kind of steel company. Tiny by industry standards, the Canadian-based company has just 8500 employees and a market cap of \$2.3 billion. Dofasco operates with a close eye on the 'triple bottom line' (commonly known as: economic, social and environment). In addition to tracking financial metrics, Dofasco also monitors its impact on society and the environment. As a result, the company has outperformed many of its biggest competitors. Despite a recent slump in the automobile industry, which accounted for 50 per cent of its business, Dofasco ran at 100 per cent capacity and finished as one of the only integrated steelmakers in all of North America to make a profit that year. Dofasco is also one of the only companies in the steel industry without a union, and its employees like it that way. Employee turnover at the company's main operation is less than one per cent annually. Part of its low turnover rate is due to the company's concern about protecting its external environment. As the CEO of the company said, 'One way to get happy employees is not to wreck their community in which they live'.

The slump in the automobile industry would be part of Dofasco's _____ environment.

- a. indirect
- b. general
- c. competitive

- d. primary
- e. political/legal

ANS: B PTS: 1 DIF: Easy TOP: Changing environments

77. Dofasco Inc. is a different kind of steel company. Tiny by industry standards, the Canadian-based company has just 8500 employees and a market cap of \$2.3 billion. Dofasco operates with a close eye on the 'triple bottom line' (commonly known as: economic, social and environment). In addition to tracking financial metrics, Dofasco also monitors its impact on society and the environment. As a result, the company has outperformed many of its biggest competitors. Despite a recent slump in the automobile industry, which accounted for 50 per cent of its business, Dofasco ran at 100 per cent capacity and finished as one of the only integrated steelmakers in all of North America to make a profit that year. Dofasco is also one of the only companies in the steel industry without a union, and its employees like it that way. Employee turnover at the company's main operation is less than one per cent annually. Part of its low turnover rate is due to the company's concern about protecting its external environment. As the CEO of the company said, 'One way to get happy employees is not to wreck their community in which they live'.

The fact that Ford, one of Dofasco's clients, purchased less steel from Dofasco during the auto industry's slump would be part of Dofasco's _____ environment.

- a. specific
- b. competitive
- c. economic
- d. general
- e. technological

ANS: A PTS: 1 DIF: Moderate TOP: Changing environments

78. Dofasco Inc. is a different kind of steel company. Tiny by industry standards, the Canadian-based company has just 8500 employees and a market cap of \$2.3 billion. Dofasco operates with a close eye on the 'triple bottom line' (commonly known as: economic, social and environment). In addition to tracking financial metrics, Dofasco also monitors its impact on society and the environment. As a result, the company has outperformed many of its biggest competitors. Despite a recent slump in the automobile industry, which accounted for 50 per cent of its business, Dofasco ran at 100 per cent capacity and finished as one of the only integrated steelmakers in all of North America to make a profit that year. Dofasco is also one of the only companies in the steel industry without a union, and its employees like it that way. Employee turnover at the company's main operation is less than one per cent annually. Part of its low turnover rate is due to the company's concern about protecting its external environment. As the CEO of the company said, 'One way to get happy employees is not to wreck their community in which they live'.

Kyoto Protocol is another steel producer in Canada. This company is part of Dofasco's _____ component of its _____ environment.

- a. international; specific
- b. general; technological
- c. indirect; general
- d. global; specific
- e. competitive; specific

ANS: E PTS: 1 DIF: Moderate TOP: General environment

79. Dofasco Inc. is a different kind of steel company. Tiny by industry standards, the Canadian-based company has just 8500 employees and a market cap of \$2.3 billion. Dofasco operates with a close

eye on the 'triple bottom line' (commonly known as: economic, social and environment). In addition to tracking financial metrics, Dofasco also monitors its impact on society and the environment. As a result, the company has outperformed many of its biggest competitors. Despite a recent slump in the automobile industry, which accounted for 50 per cent of its business, Dofasco ran at 100 per cent capacity and finished as one of the only integrated steelmakers in all of North America to make a profit that year. Dofasco is also one of the only companies in the steel industry without a union, and its employees like it that way. Employee turnover at the company's main operation is less than one per cent annually. Part of its low turnover rate is due to the company's concern about protecting its external environment. As the CEO of the company said, 'One way to get happy employees is not to wreck their community in which they live'.

What technique would Dofasco have most likely used to keep apprised of environmental changes that could impact how the company does business?

- a. a social audit
- b. multi-attribute research
- c. environmental resolution
- d. environmental scanning
- e. perceptual mapping

ANS: D PTS: 1 DIF: Easy TOP: Making sense of changing environments

80. Dofasco Inc. is a different kind of steel company. Tiny by industry standards, the Canadian-based company has just 8500 employees and a market cap of \$2.3 billion. Dofasco operates with a close eye on the 'triple bottom line' (commonly known as: economic, social and environment). In addition to tracking financial metrics, Dofasco also monitors its impact on society and the environment. As a result, the company has outperformed many of its biggest competitors. Despite a recent slump in the automobile industry, which accounted for 50 per cent of its business, Dofasco ran at 100 per cent capacity and finished as one of the only integrated steelmakers in all of North America to make a profit that year. Dofasco is also one of the only companies in the steel industry without a union, and its employees like it that way. Employee turnover at the company's main operation is less than one per cent annually. Part of its low turnover rate is due to the company's concern about protecting its external environment. As the CEO of the company said, 'One way to get happy employees is not to wreck their community in which they live'.

The company's commitment to the 'triple bottom line' and to keeping its employees happy is indicative of Dofasco's:

- a. organisational hierarchy
- b. general environment
- c. organisational culture
- d. environmental munificence
- e. specific environment

ANS: C PTS: 1 DIF: Easy TOP: Making sense of changing environments

SHORT ANSWER

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

ANS:

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

PTS: 1 DIF: Moderate TOP: Changing environments

2. Briefly define and explain the relationship between environmental change, complexity, uncertainty and resource scarcity.

ANS:

There are three basic characteristics of changing external environments. These are:

- Environmental change: the rate at which a company's general and specific environments change.
- Environmental complexity: the number of external factors in the environment that affect organisations.
- Resource scarcity: the degree to which an organisation's external environment has an abundance or scarcity of critical organisational resources.

Environmental change, complexity and resources (i.e., munificence) affect environmental uncertainty, which is how well managers can understand or predict the external changes and trends affecting their businesses.

PTS: 1 DIF: Difficult TOP: Changing environments

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

ANS:

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

PTS: 1 DIF: Moderate TOP: Changing environments

4. Define and describe the five components of the specific environment.

ANS:

The specific environment includes:

- Suppliers: provide material, human, financial and informational resources.
- Customers: individuals and organisations who purchase goods and services. Competitors: organisations in the same industry that sell similar products or services to customers.
- Regulators: create and enforce rules and regulations to protect consumers, workers or society as a whole.

Advocacy groups: groups of concerned citizens who band together to try to influence the business practices of specific industries, businesses and professions.

PTS: 1 DIF: Easy TOP: Changing environments

5. Briefly identify and define the four external environmental components.

ANS:

The four external environmental components are:

- Economy: the current state of the economy in terms of its growth or recession, and factors such as the distribution of wealth.
- Technology: the knowledge, tools and techniques used to transform input into output.
- Legal/political: the legislation, regulations and court decisions that regulate business behaviour.
- Sociocultural: the demographic characteristics, general behaviour, attitudes and beliefs of people in a particular society.

PTS: 1 DIF: Easy TOP: Changing environments

6. Using the increased participation of women in the workforce as an example of demographic change, what impact may this have on sociocultural changes to behaviour and attitudes.

ANS:

Students may identify several changes to behaviour and attitudes. Examples may include employer focus on benefits such as flexible working hours, the provision of childcare and the development of diversity programs. Students may also consider the opportunities that organisations can pursue as a result of this change. For example, they may identify that reduced leisure time for more of the population (regardless of gender) has promoted 'hassle-free' services including household services (cleaning, maintenance, gardening), shopping services (online, personal shoppers). They may also identify that increased participation in the workforce may generate more household disposable income for leisure goods and services.

PTS: 1 DIF: Difficult TOP: Changing environments

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

ANS:

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

PTS: 1 DIF: Easy TOP: General environment

8. Briefly differentiate between the two basic approaches used for monitoring customers.

ANS:

There are two basic strategies for monitoring customers: reactive and proactive:

- Reactive customer monitoring: identifying and addressing customer trends and problems after they occur such as by listening closely to customer complaints.
- Proactive customer monitoring: trying to sense events, trends and problems before they occur (or before customers complain).

PTS: 1

DIF: Easy

TOP: General environment

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

ANS:

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

PTS: 1

DIF: Moderate

TOP: Specific environment

10. List and briefly define the four characteristics of successful organisational cultures.

ANS:

The four characteristics of successful organisational cultures include: *adaptability*, which is the ability to notice and respond to, changes in the organisation's environment; *involvement*, which refers to the promotion of employee participation in decision-making, often through enhanced autonomy, accountability and responsibility; *a clear mission* which refers to a company's vision, its purpose or reason for existing; and finally, *consistency*, which refers to a culture in which the company actively defines and teaches organisational values, beliefs and attitudes.

PTS: 1

DIF: Moderate

TOP: Making sense of changing environments

11. Compare and contrast organisational stories and organisational heroes. Give examples of well known organisational heroes.

ANS:

Organisational stories are told by organisational members to make sense of organisational events and changes, and to emphasise culturally consistent assumptions, decisions and actions.

Organisational heroes are people celebrated for their qualities and achievements within an organisation. While heroes may form part of stories they are separated by action and object. A hero is a symbol and is independent from the story, whereas a story focuses on the process of events. Examples of well known organisational heroes may include Steve Jobs, Walt Disney and Arianna Huffington.

PTS: 1

DIF: Moderate

TOP: Making sense of changing environments

12. Discuss the challenges associated with changing organisational culture. Identify three approaches that can be used to accomplish that goal.

ANS:

Changing organisational culture is a very difficult process. It requires patience, vigilance and a focus on changing the parts of an organisational culture that managers can control: behaviour and symbolic artefacts. Thus, three ways of changing organisational culture include behavioural addition (having managers and employees perform a new behaviour), behavioural substitution (having managers and employees perform a new behaviour in place of another behaviour) and changing visible artefacts (where artefacts are the visible signs of an organisation's culture, such as dress codes). Given the difficulty of changing corporate culture, there is no guarantee that these methods will be successful. However, they are some of the best tools that managers have for changing culture, because they send the clear message to managers and employees that 'the accepted way of doing things' has changed.

PTS: 1

DIF: Difficult

TOP: Organisational cultures: creation, success and change

ESSAY

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

ANS:

Environmental change is the rate at which a company's general and specific environments change. In stable environments, the rate of environmental change is slow. In dynamic environments, the rate of environmental change is fast. While it would seem that companies would be in either stable external environments or dynamic external environments, recent research suggests that companies often experience both stable and dynamic external environments. According to punctuated equilibrium theory, companies go through long, simple periods of stability (equilibrium), followed by short, complex periods of dynamic, fundamental change (revolutionary periods), finishing with a return to stability (new equilibrium).

Examples of an industry whose environment has been characterised by punctuated equilibrium theory are varied but could include the Australian airline industry.

PTS: 1

DIF: Moderate

TOP: Changing environments

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

ANS:

The political/legal component of the general environment includes the legislation, regulation and court decisions that govern and regulate business behaviour. Throughout the last decade, new legislation and regulation have placed additional responsibilities on companies. Unfortunately, many managers are unaware of these new responsibilities. Examples cited in the text include: The Australian Securities and Investment Commission; The Australian Human Rights Commission; Australian Government Workplace Portal. In this last category, it is increasingly common for businesses and managers to be sued for wrongful termination, negligent hiring and supervision, defamation, invasion of privacy, emotional distress, fraud and misrepresentation during employee recruitment. From a managerial perspective, the best medicine against legal risk is prevention. The

best way to manage legal responsibilities is to educate managers and employees about laws and regulations and potential lawsuits that could affect a business.

PTS: 1 DIF: Moderate TOP: General environment

3. Define advocacy groups. Explain the basic techniques that advocacy groups use to achieve their goals. Provide one example of the use of advocacy techniques. Discuss the impact of boycotts on workers of these companies/brands.

ANS:

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

PTS: 1 DIF: Moderate TOP: Specific environment

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

ANS:

Because external environments can be dynamic, confusing and complex, managers use a three-step process to make sense of the changes in their external environments:

1. environmental scanning,
2. interpreting environmental factors
3. acting on threats and opportunities.

Environmental scanning is searching the environment for important events or issues that might affect an organisation. Managers scan their environments based on their organisational strategies, their need for up-to-date information and their need to reduce uncertainty. After scanning, managers determine what environmental events and issues mean to the organisation. Typically, managers either view environmental events and issues as threats or opportunities. When managers identify environmental events as threats, they take steps to protect the company from harm. When managers identify environmental events as opportunities, they formulate alternatives for taking advantage of them to improve company performance.

Environmental scanning is important because it contributes to organisational performance. Environmental scanning helps managers detect environmental changes and problems before they become organisational crises. Companies whose CEOs do more environmental scanning have higher profits. CEOs in better performing firms scan their firm's environments more frequently and scan more key factors in their environments in more depth and detail than do CEOs in poorer performing firms.

PTS: 1 DIF: Difficult TOP: Making sense of changing environments

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

ANS:

Preliminary research shows that organisational culture is related to organisational success. The four characteristics of successful organisational cultures are:

- adaptability: the ability to notice and respond to changes in the organisation's environment
- involvement: the promotion of employee participation in decision making, often through enhanced autonomy, accountability and responsibility
- a clear mission: a company's vision, its purpose or reason for existing
- consistency: a culture in which the company actively defines and teaches organisational values, beliefs and attitudes

The research shows that cultures based on these four characteristics can help companies achieve higher sales growth, return on assets, profits, quality and employee satisfaction.

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

PTS: 1 DIF: Difficult TOP: Making sense of changing environments

6. Cheapsport is a sport-shoe manufacturer who has experienced moderate success in the footwear industry by focusing on highly efficient processes and economies of scale to provide inexpensive and satisfactory shoes. They have recently been acquired by Speedzor, a high-end manufacturer who focuses on quality shoes. Speedzor hopes to learn from Cheapsport's processes but wants to maintain its current market focus. How should the executive team change Cheapsport's culture to be more consistent with its new parent company?

ANS:

The process of culture change needs to incorporate elements of the seen, heard and believed to ensure successful change. Your answer should identify that artefacts will change to be more consistent with quality rather than efficiency. You may identify examples such as performance reviews, work space and company newsletters which can be adapted so that elements of quality are emphasised but there should be no radical change. You may identify that heroes and stories from Speedzorx may diffuse into Cheapsport but may also suggest greater management communication to illustrate the new vision of the company. Finally, you should identify that what is believed will be the hardest element to change. Typically, efficiency and quality are not consistent beliefs and may generate some conflict between the old and the new. What will be important is that Speedzorx is trying to hold on to efficiency and so there shouldn't be any radical change in the assumptions and beliefs of Cheapsport.

PTS: 1

DIF: Moderate

TOP: Making sense of changing environments