**TEST ITEM FILE**

**Chapter 1 – Strategic Renewal and Change**

**MULTIPLE CHOICE**

1. What are the strategies used by Concord Bookstore in order to be competitive?

1. Lay off employees.
2. Appoint new general management.
3. Transform organizational culture.
4. all of the above
5. none of the above

**(b: Easy; p. 1-2)**

1. Strategic renewal refers to:
   1. a change in an organization’s strategy with the intent of regaining sustainable competitive advantage.
   2. developing a brand new strategy with the intent to gain increased market share.
   3. renewing the existing strategy while increasing marketing share.
   4. all of the above
   5. none of the above

**(a: Easy; p. 4)**

1. Organizations need to respond to \_\_\_\_\_\_\_\_\_\_\_\_ in order to create and maintain outstanding performance.
   1. internal dynamics
   2. employees
   3. external dynamics – page 3 quotes “organizations need to respond to external dynamics in order to create and maintain outstanding performance”
   4. all of the above
   5. none of the above

**(d c: Moderate; p. 3)**

1. A business model is:
   1. a simulation that models various investment possibilities.
   2. the way in which an organization generates profitable revenues.
   3. a model of the organizational change process.
   4. none of the above

**(b; Easy, p.5)**

1. In order to extend its popularity among young, tech-savvy customers, Apple Computer needed to give up its long-standing secretive corporate culture and begin to treat customers as partners. This is an example of:
   1. enhancing organizational capabilities.
   2. strategic repositioning.
   3. business model innovation.
   4. greenfielding.

**(c: Moderate; p. 5)**

1. Creating strategic renewal through a new business model is:
   1. easier for existing companies.
   2. impossible for existing companies.
   3. easier for new companies.
   4. rarely done successfully. Page 6 “it is possible to gain competitive advantage through the creation of a new business model, but changing your existing business model will create special change challenges”

**(b d: Easy; p. 6)**

1. YouTube’s revolutionizing of the creation and distribution of video is an example of:
   1. the three faces of change.
   2. strategic intervention into the market.
   3. the competitive advantage of start-up companies.
   4. the alteration of business models.

**(b: Moderate; p. 5)**

1. One important point in implementing any strategic renewal is that:
   1. managers have to be involved.
   2. employees have to be involved.
   3. customers have to be involved.
   4. all of the above
   5. none of the above

**(d: Difficult; p. 19)**

1. \_\_\_\_\_\_\_\_\_\_\_\_ directly targets patterns of employee actions and interaction in order to achieve and sustain outstanding performance.
   1. Turnaround change
   2. Radical change
   3. Characteristic change
   4. Behavioral change
   5. Productivity change

**(d: Easy; p. 6)**

1. Behavior change requires:
   1. changing what employees do and how they do it.
   2. changing employee relationship with others.
   3. sustainable changes.
   4. adaptive changes.
   5. all of the above

**(e: Moderate; p. 7)**

1. \_\_\_\_\_\_\_\_\_\_\_\_ refer(s) to the actions employees take to enact their roles and responsibilities within the organization.
   1. Behavior
   2. Characteristics
   3. Business processes
   4. Relationship
   5. Taking responsibilities

**(a: Easy; p. 7)**

1. Which of the following constitutes employee behavior in an organization?
   1. Role enactment
   2. Taking responsibilities
   3. Building relationships
   4. all of the above
   5. none of the above

**(d: Moderate; p. 5)**

1. In order to support strategic renewal and outstanding performance, new behaviors need to be \_\_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_ to shifts in the external environment.
   1. competitive; sustainable
   2. adaptive; competitive
   3. sustainable; adaptive
   4. productive; competitive
   5. responsible; competitive

**(c: Moderate; p. 7)**

1. Employee involvement at Concord Bookshop might have facilitated the change process by:
   1. creating an increase in employee commitment.
   2. improving customer responsiveness
   3. making the adaptation process easier.
   4. all of the above
   5. both A and C

**(d: Difficult; p. 19)**

1. \_\_\_\_\_\_\_\_\_\_\_\_ refers to the setting and circumstances in which employees work—also exerts a powerful impact on behavior.
   1. Organizational context
   2. Organizational dynamics
   3. Behavioral dynamics
   4. Organizational performance
   5. Behavioral performance

**(a: Moderate; p. 8)**

1. When people participate in the process of defining a problem and its solution, they will be:
   1. more likely to hesitate on changing their behavior.
   2. more likely to change their behaviors in accordance with that solution.
   3. more likely to resist the change.
   4. more likely to be productive.
   5. more likely to be less productive.

**(b: Moderate; p. 12)**

1. Johnson & Johnson intended to change the technology used by employees when they communicated with each other. Johnson & Johnson should:
   1. get employees involved by asking questions.
   2. get employees involved before the change.
   3. not get employees involved and just train the employees on the change.
   4. Because the employees are familiar with the new technology, no training is necessary.
   5. both A and B

**(e: Moderate; p. 14)**

1. Behavioral change seeks to \_\_\_\_\_\_\_\_\_\_\_\_ employees to change their behaviors – not to force, coerce, or trick them into changing.
   1. encourage
   2. motivate
   3. stimulate
   4. all of the above
   5. none of the above

**(d: Moderate; p. 14)**

1. Employees often resist change because:
   1. they are often old and old people don’t like change.
   2. they are low-level employees not capable of understanding change.
   3. it is natural to resist change.
   4. they were not involved in the process.

**(d; Easy; p. 11)**

1. Managers can learn from employee resistance by:
   1. finding creative ways to squelch the resistance.
   2. asking questions and talking to employees about why they resist.
   3. figuring out who they should fire.
   4. learning how to automate as many production processes as possible.

**(b; Moderate; p. 11)**

1. Employee resistance to change is caused by:
   1. lack of participation in the process.
   2. lack of communication about the goals and process.
   3. imposing change.
   4. mishandling of the process by management.
   5. all of the above

**(e; Moderate; pp. 10-12)**

1. Which of the following is NOT one of the faces of change:
   1. transformation
   2. transition
   3. turnaround
   4. tools and techniques

**(b; Easy; p. 18)**

1. Engaging executives in turnaround refers to:
   1. hiring all new employees.
   2. changing the technology throughout the organization.
   3. stabilizing the company’s financial position.
   4. revamping the organization’s strategy.
   5. none of the above

**(c: Difficult; p. 15)**

1. GM announced that they are laying off over 100,000 labor workers. This is an example of:
   1. strategic repositioning.
   2. competitive advantage.
   3. competitive position.
   4. turnaround.
   5. none of the above

**(d: Difficult; p. 15)**

1. Effective strategic renewal efforts combine aspects of \_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_\_\_\_ change, and \_\_\_\_\_\_\_\_\_\_\_\_ change.
   1. employee; production; finance
   2. turnaround; technology; behavioral
   3. management; employee; customer
   4. customer; environment; participation
   5. none of the above

**(b: Moderate; p. 17)**

1. *Changing techniques and tools* refers to changes in:
   1. organizational processes and technologies.
   2. machines and equipment only.
   3. employee capabilities.
   4. outsourcing.

**(a: Moderate; p. 16)**

1. \_\_\_\_\_\_\_\_\_\_\_\_refers to a deliberate decision to farm out certain value chain activities to external specialists and/or strategic allies.
   1. Strategic renewal
   2. New business model
   3. Outsourcing
   4. Globalization
   5. Triggering events

**(c: Easy; p. 16)**

1. Which of the following is not one of the strategic effects of outsourcing:
   1. saves money by transferring jobs to lower-paid workers
   2. enables companies to concentrate on core competencies
   3. lowers fixed costs and builds flexibility
   4. enhances customer relationships

**(d; Moderate; p. 16)**

1. The effective use of outsourcing requires:
   1. attention to the behavioral impact on remaining employees.
   2. enhanced training and support for remaining employees.
   3. behavioral realignment of employees with customers and strategies.
   4. participation and communication.
   5. all of the above
   6. none of the above

**(e; Difficult; pp. 16-17)**

30. A trigger event refers to:

1. a shift in the environment that precipitates a need for altered strategies and new patterns of employee behavior.
2. large-scale, long-term reorientation of most or all of the central aspects of organizational life.
3. small, incremental improvements typically in organizational processes and technologies.
4. changes in only the external environment.
5. changes in only the internal environment.

**(a: Moderate; p. 18)**

31. Which of the following is a good example of a trigger event?

1. globalization
2. shifts in labor market
3. deregulations
4. mergers and acquisitions
5. all of the above

**(e: Moderate; p. 18)**

32. \_\_\_\_\_\_\_\_\_\_\_\_ is(are) another example that has proved to be a trigger for change in a wide variety of companies.

1. Business processes
2. TQM
3. The Internet
4. Employee retention
5. Customer responsiveness

**(c: Difficult; p. 18)**

33. Comparing GM’s Lordstown and Livonia initiatives, what was the major difference in the change process?

1. use of new technology
2. employee participation and union involvement
3. strategic positioning on the part of management
4. new business model
5. all of the above

**(b: Moderate; p. 13)**

34. Dell Computer receives hard drives from Seagate, processors from Intel, and network cards from Broadcom, etc. Such raw materials are then converted to finished goods (laptops, desktops, etc.). This is an example of:

1. employee productivity.
2. turnaround strategy.
3. technology.
4. incremental changes.
5. none of the above

**(c: Difficult; p. 13)**

35. \_\_\_\_\_\_\_\_\_\_\_\_ often focuses on “downsizing” or “rightsizing”—reducing the number of firm employees in order to pare costs.

1. Incremental change
2. Evolutionary change
3. Trigger change
4. Turnaround
5. none of the above

**(d: Difficult; p. 15)**

36. Nike has announced that the company will be going through a major restructuring by changing their ordering system. To support such change:

1. employee behavior must be changed.
2. employee behavior does not need to be changed.
3. Because this is a technology change, it does not impact the employees.
4. Because this is an incremental change, no behavioral change is necessary.
5. none of the above

**(a: Difficult; p. 5)**

37 .P&G just announced that they would be adopting ERP throughout the organization. This is an example of:

1. techniques and tools.
2. nonbehavioral change.
3. behavioral change.
4. both A and B
5. both A and C

**(e: Difficult; p. 18)**

38.Netflix, well known for revolutionizing the video rental business, continues its strategic renewal. Using direct streaming, Netflix customers can now instantly view more than 12,000 movies and TV shows using a variety of devices, including Roku and Xbox. This represents:

* 1. a new business model.
  2. discontinuous change.
  3. an integrated ERP.
  4. enhanced organizational capabilities.

**(a: Difficult; p. 5)**

39. The key element of the Netflix change to instant streaming would be:

1. turnaround.
2. tools and techniques.
3. outsourcing.
4. transformation.

**(b: Difficult; p. 14)**

40.Netflix supports its ongoing innovation through a clearly articulated culture that includes such unusual edicts as “big pay,” “large impact” and “rules annoy us.” Since Netflix relies heavily on technology, its cultural principles:

1. are only for PR reasons.
2. are essential to maintaining innovation.
3. reflect the unique “nerdy” culture of its founders.
4. create an atmosphere of chaos.

**(b; Difficult; p. 8)**

**TRUE / FALSE**

41. Trigger events are based on only internal changes to an organization; precipitate the new to alter behavioral patterns of employees.

**(False: Easy; p. 13)**

42. Successful global organizations move financial resources, technology, people, best practices, and knowledge in a seamless flow as required by a highly fluid international competitive environment.

**(True: Easy; p. 14)**

43. An upward or downward shift in the labor market is a good example of internal environment.

**(False: Difficult; p. 14)**

44. Unethical and/or illegal behaviors by employees can now result in significant fines and loss.

**(True: Easy; p. 15)**

45.Providing the banking industry with bail-out money is a necessary but insufficient element of strategic renewal.

**(True: Difficult; p. 15)**

46. The effectiveness of outsourcing as a turnaround strategy is often undermined by the manner in which it is applied.

**(True: Moderate; p. 16)**

47. Outsourcing is a guaranteed change in techniques for organizational turnaround

**(False: Moderate; p. 16)**

48. Merger and acquisition is a good example of an external event that may trigger a change within the organization.

**(True: Moderate; p. 18)**

49. Typically, trigger events are discontinuities in a firm’s competitive environment.

**(True: Moderate; p. 18)**

50. A teamware software product designed to promote coordination among team members will fail to achieve much, if any, performance impact, unless and until team members understand and accept the requirement for interdependent action and shared responsibility.

**(True: Easy; p. 5)**

51. Employees who become insecure because of workforce reductions are more productive and less committed to the organization.

**(False: Moderate; p. 15)**

52. Organizational context refers to the setting and circumstances in which employees work.

**(True: Easy; p. 8)**

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53. Recognizing the requirement for change and being able to manage the change effectively are the same.

**(False: Difficult; p. 11)**

54. Behavioral change indirectly targets patterns of employee actions and interactions in order to achieve and sustain outstanding performance.

**(False: Easy;** **p. 6)**

55. For change to be effective, leaders must align internal processes, structures and systems with new strategies.

**(True: Easy; p. 5)**

56. The term “business model” refers to the enhancement of organizational capabilities.

**(False: Easy; p. 5)**

57. Because established organizations have more experience, it is easier for them to develop new business models than for start-up companies.

**(False: Moderate; p. 6)**

58. The most important element of transformation is the set of short-term behavioral changes that must be in place to support the strategic renewal.

**(False: Moderate; p. 7)**

59. Behavior comes from the individual, not from the organizational context.

**(False: Easy; p. 8)**

60. Employee resistance to change can be positive or negative.

**(True: Easy; p. 9)**

**ESSAY QUESTIONS**

**61. Please explain how and why Google provides an organizational context that stimulates innovation**.

Behavior comes from the individual and the context. Google co-founder Larry Page believes that innovation is a key strategic goal for Google. To accomplish this, employee risk taking must be encouraged, and mistakes and chaos are an expected and accepted part of the process. Not punishing mistakes, but looking for the learning gained, provides employees with the necessary context and the right motivation to align their behavior with company strategy. **(p. 8)**

**62. What are some of the possible employee responses to change? What is the role of management in dealing with employee resistance?**

Employee responses to change can range from positive commitment to apathy to active or aggressive resistance. Oftentimes, resistance is caused by poor management of the change process, especially lack of involvement and communication in problem definition and solution development. Management can learn from employee resistance through inquiry and discussion.  **(p. 10)**

**63. Please explain why employee motivation matters.**

New behaviors will not be sustainable if they have been prompted by manipulation or coercion. Effective change seeks to encourage employees to find continually new and improved ways of applying their better judgment. It motivates them to think about improving internal processes, listening to what customers are saying, and helping the organization to improve waste and quality. To support behaviors that can sustain outstanding performance, effective change efforts avoid manipulation and coercion, aiming instead to enhance employee willingness and the ability to contribute their own judgment. **(p. 14)**

**64. What is the role of participation in motivating behavioral change?**

It is debatable whether people naturally resist or embrace changing their behaviors. However, people who participate in defining problems and solutions will become committed to the new directions that result from that process. By diagnosing problems, understanding their importance, and being part of the process of formulating solutions, people develop a psychological sense of “ownership” over the outcome. That ownership creates in employees the heightened motivation to implement change in order to achieve desired goals. **(p. 11)**

**65. What is meant by the three faces of change and how are they related?**

The three faces of change refer to the three different elements of change that are involved in the process of strategic renewal. They include: 1) turnaround – this targets the internal resources of the organization and is focused on improving short-term, bottom-line performance; 2) tools and techniques – this targets the processes inside the organization and is designed to increase internal efficiencies and 3) transformation – this targets employee behaviors and is intended to enhance human capabilities. The key factor in accomplishing strategic renewal is the extent to which the renewal process succeeds in aligning all of the different factors and elements in the organization with the strategic goals and the external environment. Because of this, the three elements are interrelated and any effective change process must ensure that all three are addressed and coordinated. Any one by itself is likely not to succeed **(P. 17)**.

**66. Why do employees resist change?**

* Individuals may be satisfied with the status quo. Because their needs are being met, they may view any potential change as negative.
* Individuals may view change as a threat, fearing it will adversely affect them in some significant way.
* Individuals may understand that change brings both benefits and costs but feel that the costs far outweigh the benefits.
* Individuals may view change as potentially positive but may still resist because they believe that the organization’s management is mishandling the change process.
* Individuals may believe in the change effort but still believe that the change is not likely to succeed. **(p. 9)**

**67. Discuss the continuum of individual responses to change.**

Commitment Involves a strong emotional attachment to the goals of the organization and the aims of the change effort.

Involvement Involves a willingness to participate in the behaviors being called for by the change effort.

Support Involves speaking on behalf of the change effort without taking any other explicit actions to promote the effort.

Apathy Represents a neutral zone in which individuals know about the change effort and engage in no behavior either to support or oppose it.

Passive resistance A mild form of opposition that involves a willingness to voice reservation or even threatening to resign if the change goes through.

Active resistance Involves behaviors that block or impede change, usually by behaving in ways that contradict the goals of the change effort.

Aggressive resistance Involves purposeful sabotage and subversion of the change effort. **(p. 9)**

**68. Explain how managers create resistance during implementation.**

A negative approach to employee resistance overlooks two important points. First, employee resistance is often a result of management actions. Managers can and often do create resistance by the manner in which they pursue change. By looking at the aforementioned reasons for employee resistance, one can see how many can be understood in part as a natural and expected outcome of implementation.

When employees are satisfied with the status quo, for example, the bar­rier may be that they have not been allowed to engage in an adequate and full diag­nostic process to share learning about why the status quo is undesirable and what about the status quo needs to be changed. Employees who do not fully appreciate the potential benefits of the proposed change may either have little idea of where manage­ment proposes to take the organization or believe that management simply does not possess either the competence or commitment necessary to achieve the stated goals. **(p. 12)**

**Scenario-Based Questions**

You are the manager of a college IT department, in charge of providing student, staff and faculty support in all IT areas, including computer labs, e-mail, smart classrooms, and specialized needs. The college just announced a 40% cut in the budget for next year and has asked you to implement staff and equipment reductions. You and your staff take pride in the level of customer service and communication you have been able to establish.

69. As the manager, the first thing you will work on is:

1. the swift and efficient implementation of the budget cuts.
2. maintaining the equipment quality you have worked on so hard.
3. a staff meeting to discuss the best way to proceed.
4. your letter of resignation.
5. a letter of protest, signed by staff, faculty and students.

**(c, Difficult; p. 11)**

70. The employees in your department have become very upset at the prospect of massive layoffs. Your strategy for dealing with the discontent is:

1. offer incentives to any volunteers ready to leave the college.
2. squelch all informal discussion at the water cooler.
3. carefully note the most vocal dissenters and put them on the layoff list.
4. interview, discuss and learn as much as you can about the concerns.

**(d, Difficult; pp. 10-15)**

71. You have been asked to consider outsourcing one or more of the services provided by your department. Since the faculty has been trained in smart classroom technology, you think the faculty help desk can be outsourced to a company that will provide phone and email advice. Which of the following is the best course of action?

1. Happy to find a source of savings, you sign the contract immediately.
2. You consult your staff to pinpoint possible issues or concerns.
3. Knowing that faculty tend to complain a lot, announcing the change is the best way to go.
4. You go with the outsourcing, but you have backup emergency support.
5. both A and B
6. both A and C
7. both B and D

**(g; Difficult; p. 17)**

72. In thinking about the best way to proceed, you know that you consider the needs of:

a. your staff.

b. your customers.

c. top management.

d. your own interests.

e. all of the above

**(e; Easy; p. 14)**

73. After a very difficult series of decisions, you have successfully put in place a new set of work processes that include outsourcing, streamlining, reduced services, and staff reductions. What is your next step?

1. Your work is done and you wait for your merit check.
2. You continue to support your staff to ensure that the new processes can be sustained.
3. You stay alert to see if more cost savings can be realized.
4. You start looking for a new job.

**(b; moderate; p. 17)**