

AD212 – Spring 2001: First Midterm Examination

Question Booklet

This test will last for 75 minutes. It is split into three sections. A total of 100 points are available. They are distributed as follows:

- Section A (multiple choice). Answer **all 24** questions. This section is worth 24 points.
- Section B (short answer). Answer **all 6** questions in the spaces provided in the answer booklet. This section is worth 36 points.
- Section C (short essays). Answer **any two of the four** questions provided. This section is worth 40 points.

Write your answers to each question in the designated space on the booklet provided.

This is a closed book test. Reference to notes or textbooks or conversation of any kind constitutes cheating and will be grounds for failure.

Section A: Multiple Choice Questions.

Answer all 20 of these questions. Each question is worth 1 point.

1. Joe Hanks, a federal agent for the FBI, is retiring soon and wants to start his own detective agency. Joe does not want to have to reveal his business plans publicly, desires flexibility and control in operations, and does not want to spend much money or time in forming the business. As a knowledgeable business student, you would recommend to Joe that he organize his business in the form of a
 - a. partnership.
 - b. joint venture.
 - c. corporation.
 - d. syndicate.
 - e. sole proprietorship.
2. The partner who can lose only what he or she has invested in a business is the
 - a. general partner.
 - b. employee.
 - c. limited partner.
 - d. manager.
 - e. sole proprietor.

3. Mars, Incorporated, maker of M&Ms and other candy, is 100 percent owned by the Mars family and is therefore referred to as a(n)
 - a. public corporation.
 - b. syndicate.
 - c. cooperative.
 - d. close corporation.
 - e. open corporation.

4. Recently there have been several mergers involving "Big Five" accounting firms. One such merger involved the firms of Arthur Young and Ernst & Whinney, who combined to form Ernst & Young. This is an example of a
 - a. conglomerate merger.
 - b. syndicate.
 - c. joint venture.
 - d. vertical merger.
 - e. horizontal merger.

5. Which of the following is *not* a franchise establishment?
 - a. Kentucky Fried Chicken
 - b. Avis, Inc.
 - c. Dairy Queen
 - d. JC Penney
 - e. Howard Johnson Co.

6. If Kmart states that it is going to spend \$100 million in advertising in the upcoming year to help increase its market share, it is explaining part of its _____ plan.
 - a. operational
 - b. strategic
 - c. directional
 - d. tactical
 - e. contingency

7. A(n) _____ is a type of plan designed to implement tactical plans.
 - a. management objective
 - b. strategy
 - c. operational plan
 - d. contingency plan
 - e. mission

8. In carrying out her managerial duties, Pat tells the appropriate marketing manager about a business opportunity and warns the human resources manager about a possible strike. Pat is playing a(n) _____ role.
 - a. informational
 - b. decisional
 - c. conceptual
 - d. analytical
 - e. interpersonal

9. Robin Baker, a top manager at Westinghouse, has recently been put in charge of a new, multi-million-dollar project. She selects several individuals to participate in this effort and assigns each certain tasks to perform. Furthermore, she has set up a group hierarchy and indicated that all decisions must be routed through this chain of command. Robin is exhibiting which leadership style?
 - a. Authoritarian
 - b. Democratic
 - c. Despotic
 - d. Participative
 - e. Laissez-faire

10. Part of Susan's responsibilities is to create a work schedule for her employees and motivate them. What type of manager is she?
 - a. Top
 - b. Middle
 - c. Front-line
 - d. Control
 - e. First-line

11. The step of distributing responsibility and authority within the organization is called
 - a. departmentalization.
 - b. the chain of command.
 - c. delegation.
 - d. the span of management.
 - e. the degree of specialization.

12. Ford and Xerox are two companies that have begun moving away from strict job specialization to alleviate employee motivation problems. Each company has adopted a job design alternative that involves workers in a wider variety of tasks. The method they have employed is known as job
 - a. enrichment.
 - b. rotation.
 - c. substitution.
 - d. enlargement.
 - e. generalization.

13. The Morgan Company, a small furniture manufacturer, divides its organization into marketing, human resources, accounting, and production departments. This is an example of departmentalization by
 - a. product.
 - b. function.
 - c. taste.
 - d. specialty.
 - e. location.

14. Citibank has one group of loan officers who handle consumer loans and another group who work in the commercial loan area. Grouping "work units" together in this way is known as departmentalization by
 - a. product.
 - b. function.
 - c. customer.
 - d. location.
 - e. specialty.

15. The more complex and uncertain a company's environment, the more likely it is that the company will
 - a. increase the span of control, increasing the number of employees on board.
 - b. have a split between decentralized and centralized decision making.
 - c. decentralize the organization.
 - d. centralize the organization.
 - e. decrease the span of control, decreasing the work force.

16. The number of subordinates reporting directly to one manager is called
 - a. a centralized organization.
 - b. the span of control.
 - c. the management hierarchy.
 - d. the chain of command.
 - e. a decentralized organization.

17. Hsia Wang is an accountant with Kmart. In this company, she holds a(n) _____ position.
 - a. technical
 - b. staff
 - c. secretarial
 - d. line
 - e. administrative

18. A manager who can make decisions and issue directions that relate to the organization's goals has _____ authority.
 - a. functional
 - b. staff
 - c. line
 - d. delegation
 - e. advisory

19. Airo Corporation has a traditional structure. It wants to change to a project structure that will allow more interaction among functional groups. Which structure would you suggest?
 - a. Bureaucratic
 - b. Formal
 - c. Informal
 - d. Matrix
 - e. Cluster

20. Corporate officers are
 - a. appointed by the board of directors.
 - b. listed in the corporate charter.
 - c. elected by incorporators.
 - d. appointed by management.
 - e. elected by stockholders.

21. The Hawthorne Studies revealed that employees who are happy and satisfied with their work will perform better. Out of this study and others like it, the _____ movement was born.
 - a. group dynamics
 - b. worker loyalty
 - c. social acceptance
 - d. human relations
 - e. piece-rate

22. A sense of belonging is a characteristic of which needs level?
 - a. Self-actualization
 - b. Esteem
 - c. Physiological
 - d. Safety
 - e. Social

23. Which one of the following is an example of Herzberg's motivation factors?
 - a. Supervision
 - b. Responsibility
 - c. Job security
 - d. Working conditions
 - e. Pay

24. According to Ouchi, American industry is dominated by _____ firms. These firms emphasize short-term employment, individual decision making and responsibility, rapid evaluation and promotion, explicit control, and specialized career paths.
 - a. Type J
 - b. Type X
 - c. Type Y
 - d. Type Z
 - e. Type A

B: Short Answer Questions: 36 points total

Answer all six of these questions (B1-B6). Bullet point answers are fine here. Keep it short. Each question is worth 6 points.

B1) Large, complex corporations have proved very successful in some sectors of the economy. Small family firms continue to dominate others. Pick one industry dominated by big firms and explain three characteristics of that business which favor large corporations. (3 points) Pick another industry dominated by small firms, and explain three characteristics of that industry which favor small corporations. (3 points)

(Try and make your reasons industry specific rather than totally generic – eg don't just say that small firms are "more flexible", say why what it is about the industry that specifically requires this, or makes it hard for big firms to match them).

B2) What exactly are stock options? (3 points). Give three reasons why many firms of the 1990s came to rely on them heavily as a form of executive compensation. (3 points)

B3) What are the main duties of a public corporation's board of directors? (3 points). Give the three characteristics of the Amazon board that caused some to wonder whether it was likely to do a good job carrying out these duties. (3 points)

B4) Mintzberg's articles included a number of common "myths" about the work of managers prevalent among management researchers. Identify any three of these, and give his corresponding "realities" correcting them. (2 points for each myth/realty pair).

B5) The benefits of incorporate are well known, but some of them have limited practical relevance to many small businesses. Imagine a freelance computer consultant, with a thriving business serving corporate clients. She has no immediate plans to expand or to hire other people. Give two important benefits of incorporation to her business (2 points), two potential disadvantages of incorporation here (2 points) and two theoretical benefits of incorporation that are irrelevant in this situation (2 points).

B6) Give three basic ideas that McGregor (in Theory Y), Herzberg and Maslow agree about when it comes to motivation. (3 points). Investment bankers appear to be motivated primarily by money. How do you explain this? (3 points).

Section C: Essay Questions. 40 points total (20 for each question).

Answer any TWO of the four questions below with concise but complete explanations. It is acceptable to use lists where appropriate, just be sure that everything that needs to be explained is explained. Each question is worth 20 points.

For full credit, support your argument closely with reference to the textbook and the other readings. **You are limited to one-page answers on the specified sheets in the answer book.** If you wish to plan your answer, scrap paper is available.

1) a: Explain the four possible forms of culture examined by Goffee and Jones. For each one, be sure to mention strengths and weaknesses and to mention an industry in which it might be common. (12 points)

b: Imagine you head the investment banking division of a financial services firm formed by a recent merger. Bankers continue to associate more strongly with the former firms than the new merged entity. In addition, the corporate culture is quite fragmented in both dimensions discussed by Goffee and Jones. Which cultural problems do you think are the most pressing, and why? What immediate steps might you take to improve matters? (8 points)

2) a: Why does a new business need a business plan. (Think practically). What sections does a business plan generally contain? What is the function of each? (10 points)

b: You are considering opening a Taco Bell franchise in Waterville and you want to get a loan from the bank to fund it. What issues might be particularly important in this case and why? (6 points)

c: Pick two of the areas above and explain where you would find the information needed to convince the loan office to back you. (4 points)

3) a: As we saw from the readings, Lou Gerstner pulled off one of the greatest corporate turnarounds of recent decades with IBM. Discuss his achievement here, being sure to explain what the company was like when he arrived, how he transformed it, and why. (12 points)

b: IBM was a classic example of a firm offering clear career paths, guaranteed employment and a paternalistic work environment. Workers there experienced first hand the changes discussed by Handy and Reich in their articles on the future of work. How do you think the experience of working at IBM has changed over the past decade for junior and middle-ranking employees? Do you think it has become a better or worse place to work? (8 points)

4) a: Summarize Porter's answer to the question "What is Strategy?". Pay particular attention to the idea of "fit" and to the difference between strategy and operational effectiveness. (12 points).

b: Analyze the proposed HP-Compaq merger from the strategic perspective (NB: **not** the cultural one – don't write out what we talked about in class). Will the assimilation of Compaq improve or hurt HP's long-term strategic position, and why? (You may also use the "core competence" ideas or any other strategic concepts if you find them helpful.)