Chapter 4 – Organizational Redesign

MULTIPLE CHOICE

1. Organizational design refers to:
   a. formal arrangements that an organization calls upon to help shape employee behavior.
   b. informal arrangements that an individual or an organization calls upon to help shape employee behavior.
   c. informal and formal arrangements that an organization calls upon to help shape employee behavior.
   d. organizational process that an organization calls upon to help shape employee behavior.
   e. none of the above
   (c: Difficult; p. 82)

2. Which of the following is a correct statement related to informal design elements?
   a. compensation and measurement
   b. defining roles and responsibilities of customers
   c. defining relationships within the organization
   d. defining relationships within the organization and between the organization and external stakeholders
   (d: Difficult; p. 77)

3. Company X implements a new system of rewards for its supervisors. This would be considered:
   a. informal design.
   b. formal design.
   c. job enrichment.
   d. 360 degree performance enhancement.
   (b: Moderate; p. 77)

4. Company Y introduces a new system of job design that includes a renewed focus on customer service. This would be considered:
   a. informal design.
   b. formal design.
   c. job enrichment.
   d. performance enhancement.
   (a: Moderate; p. 77)

5. Change pilots are best described as:
   a. piecemeal and haphazard attempts at implementation.
   b. small, experimental units of change implementation.
   c. interconnected sets of activities that convert inputs to outputs.
   d. a method of optimizing the direction of outsourcing.
   (b: Moderate; p. 79)
6. Organizational redesign is best described as the process of:
   a. changing the formal and informal arrangements an organization uses to shape employee behavior.
   b. changing an organization’s design in response to shifting dynamics in the organization’s environment.
   c. balancing differentiation and integration in the organizational structure.
   d. the strategic and systemic change of business processes.
   (b: Difficult; p. 78)

7. In selecting a target for early pilots, organizational leaders should select:
   a. self-contained units with a clear customer and measurable outcome.
   b. units that are not essential to company operation.
   c. those units in which resistance is most likely.
   d. those units that are experiencing the greatest number of problems.
   (a: Difficult; p. 79)

8. Before embarking on change implementation, organizational leaders must face 3 key challenges in organization design:
   a. integration, differentiation and commitment.
   b. organic, mechanistic, and differentiating control systems.
   c. integration/differentiation, control/creativity and decision-making allocation.
   d. integration/differentiation, commitment/control and creativity/consensus.
   (c: Difficult; p. 80)

9. Informal design addresses questions of ____________.
   a. focus
   b. coordination
   c. behavior
   d. both A and B
   e. both B and C
   (d: Moderate; p. 77)

10. Changing an organization’s design is a process known as ____________.
    a. organizational alignment
    b. organizational design
    c. organizational redesign
    d. organizational coordination
    e. none of the above
    (c: Easy; p. 78)
11. Differentiation is determined by the degree of ____________.
   a. functional strategies
   b. formality of the units
   c. environmental complexity
   d. strategic integration
   e. none of the above
   (c: Difficult; p. 89)

12. Which of the following accurately describes the relationship between differentiation and integration in organizational design?
   a. Levels of differentiation must be matched by appropriate levels of integration.
   b. An organization’s external environment determines proper levels of differentiation and integration.
   c. Differentiation and integration are related to environmental complexity and dynamism.
   d. none of the above
   e. all of the above
   (e: Difficult; p. 81)

13. An organization’s level of differentiation is best determined by examining:
   a. environmental complexity.
   b. environmental dynamism.
   c. the level of employee commitment.
   d. goals, time orientation, formality and interpersonal style.
   (a: Moderate; p. 81)

14. An organization’s level of integration is best determined by examining:
   a. environmental complexity.
   b. environmental dynamism.
   c. the level of employee commitment.
   d. goals, time orientation, formality and interpersonal style.
   (b: Moderate; p. 82)

15. ____________ refers to the number of external factors impacting organizational operation.
   a. Organizational change
   b. Environmental complexity
   c. Environmental change
   d. Organizational dynamics
   e. Environmental dynamism
   (b: Easy; pp. 82-83)
16. Cross-functional teams are a good way to establish:
   a. differentiation.
   b. integration.
   c. efficiency.
   d. organic control.
   (b: Moderate; p. 83)

17. As part of an organizational change effort, organizations often work to enhance the sense of common purpose and direction among their employees, combined with a unified commitment to core values and business strategy. This is done in order to:
   a. reduce turnover.
   b. enhance commitment.
   c. promote creativity and control.
   d. create integration.
   (d: Difficult; p. 83)

18. Which of the following applies to traditional control mechanisms?
   a. They may hamper an organization’s ability to achieve flexibility and creativity.
   b. They work well when core tasks are routine and repetitive.
   c. They rely on rules, procedures and authority relationships.
   d. They are congruent with a business strategy of predictability and standardization.
   e. all of the above
   (e: Moderate; p. 84)

19. Which of the following applies to organic control mechanisms?
   a. They enhance organizational flexibility and creativity.
   b. They rely on shared values.
   c. They pay attention to performance outcomes.
   d. They involve interactive and open dialogue.
   e. all of the above
   (e: Moderate; p. 84)

20. ____________ involve(s) the rights to initiate, approve, implement, and control various types of strategic or tactical decisions.
   a. Decision-making rights
   b. Dynamic control
   c. Dynamic leadership
   d. Strategic decision-making
   e. none of the above
   (a: Easy; p. 85)
21. ____________ refers to design elements called upon to establish order, create predictability, and ensure efficiencies of operation.
   a. Differentiation
   b. Dynamics
   c. Integration
   d. Control
   e. none of the above
   (d: Moderate; p. 83)

22. Organic controls typically rely:
   a. more on specific rules and procedures.
   b. less on shared value.
   c. more on clarity of organizational strategy.
   d. less on complex understanding of risks.
   e. more on closed dialogue.
   (c: Difficult; p. 84)

23. When allocating decision-making rights, the ideal design:
   a. centralizes decision making in the hands of management.
   b. emphasizes efficiency and control.
   c. grants rights to those who have the best relevant information.
   d. advocates dialogue and inclusion.
   (c: Difficult; p. 85)

24. ____________ refers to the internalized desire of employees to expend energy and discretionary effort on behalf of the goals of the organization.
   a. Motivation
   b. Cross-functional teams
   c. Integration
   d. Commitment
   (d: Easy; p. 87)

25. Which of the following is NOT an approach that characterizes high-commitment design?
   a. wide sharing of performance information
   b. greater employee access to managers
   c. individual development opportunities
   d. dialogue confluence
   (d; moderate; p. 87)
26. Which of the following statements is correct?
   a. The challenge for multidivisional organizations is to allocate a limited level of autonomy to separate divisions as a way of achieving marketplace responsiveness while simultaneously making corporate-level decisions that allow the exploitation of synergies across the divisions.
   b. The challenge for multidivisional organizations is to allocate no level of autonomy to separate divisions as a way of achieving marketplace responsiveness while simultaneously making corporate-level decisions that allow the exploitation of synergies across the divisions.
   c. The challenge for multidivisional organizations is to allocate a high level of autonomy to separate divisions as a way of achieving marketplace responsiveness while simultaneously making corporate-level decisions that allow the exploitation of synergies across the divisions.
   d. The challenge for small organizations is to allocate a high level of autonomy to separate divisions as a way of achieving marketplace responsiveness while simultaneously making corporate-level decisions that allow the exploitation of synergies across the divisions.
   e. The challenge for small organizations is to allocate a limited level of autonomy to separate divisions as a way of achieving marketplace responsiveness while simultaneously making corporate-level decisions that allow the exploitation of synergies across the divisions.

(c: Difficult; pp. 87-88)

27. ____________ refers to the advantages of efficiency and effectiveness conferred by the combined effect of interaction and collaboration among multiple units.
   a. Dynamic control
   b. Synergy
   c. Systematic focus
   d. Organizational effectiveness
   e. none of the above

(b: Moderate; p. 87)

28. ____________ refers to control exerted through peer pressure, organizational culture and expectations of outstanding performance reinforced through performance feedback.
   a. Dynamic control
   b. Synergy
   c. Systematic focus
   d. Organizational effectiveness
   e. Organic controls

(e: Difficult; p. 89)
29. The statement “the degree to which the job provides substantial discretion to the individual in scheduling work and determining procedures for carrying it out” refers to which element of job description?
   a. task identity
   b. task significance
   c. feedback
   d. autonomy
   e. skill variety
   (d: Moderate; p. 90)

30. What are the characteristics of job enrichment?
   a. skill variety and task identity
   b. skill variety, task identity and task significance
   c. autonomy and feedback
   d. Both A and C
   e. Both B and C
   (e: Difficult; p. 90)

31. Which of the following statements is correct?
   a. Teams succeed or fail in organizations based not just on the efforts of team members but on the overall design and context of the organization, which must support and reinforce joint effort.
   b. Organizational design involves both formal and informal elements; effective implementation targets informal design elements first and then addresses more formal elements, such as structure and systems, later in the process.
   c. Creating effective teamwork requires providing a group of individuals with shared purpose and responsibility, empowering those individuals to make shared decisions, and making sure they have the competencies and resources required to be effective as a team.
   d. all of the above
   e. A and C only
   (d: Difficult; p. 91)

32. In this type of team, the multiple functions and tasks of the value chain are linked in order to enhance quality, coordination, and customer responsiveness.
   a. work team
   b. product development team
   c. problem-solving team
   d. project management team
   e. synergetic team
   (d: Difficult; p. 92)

TRUE / FALSE

33. Compensation and measurement are components of formal design elements.
   (True: Moderate; p. 77)
34. Reporting structures are components of informal design elements.  
(False: Moderate; p. 77)

35. Effective change implementation separates the two aspects of design, targeting formal design before seeking to alter informal design.  
(False: Difficult; p. 77)

36. The most effective way to change organizational design is one piece at a time.  
(False: Easy; p. 78)

37. Pilot projects are an effective way to test out a strategic change process by focusing on one small unit or process at the early stage of change implementation.  
(True: Moderate; p. 79)

38. In selecting a pilot project, organizational leaders should focus on units where resistance to change is highest.  
(False: Moderate; p. 79)

39. Pilot projects should be implemented in units where the change is most likely to be successful.  
(True: Easy; p. 79)

40. Integration is the degree to which different functions are allowed to develop their own response to the environment.  
(False: Moderate; p. 82)

41. Integration refers to the required level of coordination across differentiated functions, units and divisions.  
(True: Easy; p. 82)

42. Decentralization enables different functions, departments and units in an organization to develop their own responses to their particular goals and unique competitive environments.  
(False: Moderate; p. 81)

43. High integration enables the organization to achieve efficient operations among different functions, departments, and units.  
(True: Easy; p. 81)

44. Differentiation is not necessary to implement strategic renewal and achieve outstanding performance.  
(False: Difficult; pp. 81-82)
45. Organizations operating in a complex and dynamic competitive environment will have to develop increasingly sophisticated mechanisms for integration to match the requirement for high differentiation.
   (True: Easy; p. 83)

46. Traditional mechanistic control tools can create unpredictability and non-standardization but can undermine creativity, flexibility and collaboration.
   (False: Moderate; p. 84)

47. Pushing down operational decision making to employees with the “best information” is intended to unleash motivation and creativity.
   (True: Easy; p. 86)

48. High employee commitment can improve organizational performance by enhancing productivity, creativity, collaboration and the willingness to change.
   (True: Easy; p. 88)

49. The manner in which work is performed is most fundamental to high employee commitment design.
   (True: Moderate; pp. 87-88)

50. Autonomy refers to the degree to which the performance of the task has a substantial impact on outcomes that are deemed important to employees, to the organization and/or to society as a whole.
   (False: Moderate; p. 90)

ESSAY QUESTIONS

51. What are the common design challenges among all organization?
   a. All organizations require some level of differentiated activities: focusing on different tasks and customers and operating in different competitive environments. At the same time, integrated activities will provide organizations with the benefits of efficiency and the ability to move knowledge and resources across and around its various activities and units. These dual requirements represent the challenge of differentiation and integration.
   b. All organizations, regardless of their histories, strategies, and competitive environments, rely on some type of control mechanisms to help shape employee behaviors. They need to deploy control mechanisms, however, without losing requisite levels of creativity and innovative response from the employees whose behaviors they are attempting to influence.
   c. All organizations must decide how and where to allocate decision-making rights and responsibilities. (Difficult; pp. 80-87)
52. **What are the common design elements in a high-commitment work system?**
   Briefly explain each factor.
   a. Clarity of organizational goals: Employees at all levels and in all units are provided with an understanding of the goals and values of the organization as well as its strategic choices.
   b. Influence mechanisms: A variety of formal (elected board of representatives) and informal (open doors and accessible managers) mechanisms enable wide participation in the dialogue and decision making of the organization.
   c. Teamwork: Teams are designated to perform interdependent tasks.
   d. Shared information: Employees are kept informed about how the organization is performing, including the dissemination of data such as financial performance, costs, profitability, information on competitors and feedback from customers.
   e. Organic controls: Control exerted through peer pressure, organizational culture and expectations of outstanding performance are reinforced through performance feedback.
   f. Individual developmental opportunities: Employees are provided with an opportunity to develop competencies consistent with their own needs and those of the organization through a combination of mechanisms: job mobility, task variety, facilitative supervision and formal training. *(Moderate; p. 88)*

53. **What are the 5 dimensions of job enrichment?** Give a brief explanation of each.
   a. Skill variety: The degree to which a job requires a variety of different activities in carrying out the work, involving the use of a number of different skills and talents.
   b. Task identity: The degree to which the job requires completion of a “whole” and identifiable piece of work; that is, doing a job from beginning to end with a tangible outcome.
   c. Task significance: The degree to which the performance of the task has a substantial impact on outcomes that are deemed important to employees, to the organization, and/or to society as a whole.
   d. Autonomy: The degree to which the job provides substantial discretion to the individual in scheduling work and determining procedures for carrying it out.
   e. Feedback: The degree to which carrying out work activities required by the job results in the individual acquiring direct and clear information about the effectiveness of his or her performance. *(Moderate; p. 90)*

54. **Explain the formal and informal aspects of organizational design, the design elements related to each and their relationship in implementing change.**

   Formal aspects of design include rewards and performance measurements as well as the reporting relationships depicted on an organization chart. Informal aspects of design relate to how people perform the required tasks of the organization and how they collaborate and work with others, both inside the organization (others within their own groups as well as across groups and functions) and outside (with
Formal: Compensation and measurement & Reporting structures.
Informal: Defining roles and responsibilities of employees: Defining relationships within the organization and between the organization and external stakeholders.

When implementing change, start with informal design to create behavior changes and follow up later with formal design to reinforce those changes. (Easy; p. 77)

55. **Explain the difference between traditional and organic controls.**

Traditional controls rely on fixed job descriptions, individual accountability, rules, procedures and hierarchy, with information distributed strictly on a “need-to-know” basis. When the core tasks of the organization are routine and repetitive, traditional control designs can be effective. However, they often undermine creativity, flexibility and collaboration.

Organic controls rely less on specific rules and procedures and more on shared values, clarity of organizational strategy, a common understanding about risks to be avoided, attention to performance outcomes, and expectations of interactive and open dialogue. Managers in organizations that rely on organic control mechanisms expect employees to contribute not just their functional expertise but also their general knowledge and experience to the overall performance of the organization. Companies such as Southwest Airlines and Nordstrom share the goal of shaping employee behavior in a way that encourages rather than discourages creativity, flexibility, and collaboration. (p. 84)

Differentiation requires a focus on autonomy and independence. High differentiation is very characteristic in traditional organizations – not only does the informal design reflect an orientation toward individual jobs and individual accountability, the formal design actively reinforces this through the structure of compensation systems and job descriptions. Integration by contrast emphasizes collaboration and independence, asking people to sacrifice at least some of their autonomy. Integration requires teamwork which is often difficult for organizational members, especially if teamwork is not rewarded in the formal structure of the organization. Integration is accomplished through cross-functional, global or other kinds of teams. It also requires a strong sense of common purpose and direction along with a unified commitment to core values and business strategy. (p. 90)

**Scenario-Based Questions**

You are the new CEO of a major HR firm, offering specialized HR services to organizations wishing to outsource all or part of their HR functions. In the past, the firm
has been structured into several divisions, including Compensation, Recruitment, Training and Development, and Legal Services. Each of the divisions has operated separately, with the exception of the centralized finance and marketing functions. The divisions also share general, standardized company reporting, operating, and planning procedures. In recent years, the company has experienced increased competition from other consulting firms – this has become a major threat to the organization’s survival. In addition, many of the established and new clients wish to contract for a comprehensive HR service package, instead of the traditional single service. Finally, the enhanced use of technology in the provision of HR services poses an ongoing challenge, both for your firm and for your clients.

56. Your first move as CEO is to work on:
   a. informal organizational redesign.
   b. formal organizational redesign.
   c. enhanced differentiation relationships.
   d. internal company alignment.
   (a: Difficult; p. 77)

57. You decide to initiate a pilot project, aimed at providing small companies with complete, integrated HR services. This project addresses what organizational design challenge?
   a. control and creativity
   b. integration and differentiation
   c. allocating decision-making rights
   d. need for a change laboratory
   (b: Moderate; pp. 81-82)

58. The pilot project requires staff from each of the 4 divisions. You select staff for the project by:
   a. picking the worst performers from each of the divisions.
   b. asking for experienced and enthusiastic volunteers from each of the divisions.
   c. randomly picking from each of the divisions.
   d. picking the best performers from each of the divisions.
   (c: Difficult; p. 79)

59. You assign your pilot project staff the task of structuring its work as it sees fit, based on what best serves the needs of the clients. This approach to job design can exemplify what principle(s) of organizational redesign?
   a. job enrichment
   b. allocating decision-making rights to fit with relevant information
   c. high commitment design
   d. all of the above
   e. none of the above
   (d: Difficult; pp. 87-90)
The pilot project has designed an approach that uses cross-functional teams to interact directly with each client, thus creating a seamless well-integrated business process. In order for this team to work effectively, it will require:

a. shared purpose and shared responsibility.
b. enablement and empowerment.
c. high commitment design.
d. job enrichment.
e. All of the above
f. A and B only
g. C and D only

(f: Moderate, p. 93)