TT TEXTBOOK TESTBANKS

Test Bank for Managerial Economics and Organizational Architecture 7th Brickley

TEST BANK SAMPLE PREVIEW

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Test Bank

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Managerial Economics and Organizational Architecture 7th Edition by Brickley CH01

ANSWERS ARE LOCATED IN THE SECOND PART OF THIS DOCUMENT

1) Volkswagen was clearly a company riddled with flawed organizational design and it suffered from “bad management.” What were the problems with this corporation from an organizational architecture point of view?

Question Details
AACSB : Reflective Thinking
Bloom's : Understand
Difficulty : 02 Medium
Topic : Introduction
Accessibility : Keyboard Navigation

2) What are the three critical aspects of corporate organization? Which of the three components is most important for the success of a firm?

Question Details
AACSB : Reflective Thinking
Topic : Managerial Economics and Organizational Architecture
Bloom's : Understand
Difficulty : 02 Medium
Accessibility : Keyboard Navigation

3) What are some of the ways equilibrium constrains managerial decisions?

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Question Details
Bloom's : Remember
AACSB : Reflective Thinking
Topic : Managerial Economics and Organizational Architecture
Difficulty : 01 Easy
Accessibility : Keyboard Navigation

4) What would be an example of a poorly designed incentive system?

Question Details
Bloom's : Remember
AACSB : Reflective Thinking
Topic : Managerial Economics and Organizational Architecture
Difficulty : 01 Easy
Accessibility : Keyboard Navigation

5) Is there a relationship between a CEO's retirement and the R&D expenses in a firm?

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Question Details
AACSB : Reflective Thinking
Topic : Managerial Economics and Organizational Architecture
Bloom's : Understand
Difficulty : 02 Medium
Accessibility : Keyboard Navigation

6) Pepsi, a soft drink company, is attempting to compete with Coca Cola. It wishes to benchmark its organizational architecture. What should it do?

Question Details
AACSB : Reflective Thinking
Bloom's : Understand
Difficulty : 02 Medium
Topic : Economic Darwinism
Accessibility : Keyboard Navigation

7) How can good management practices be useful in a global economy?

Question Details
AACSB : Reflective Thinking
Bloom's : Understand
Topic : Purpose of the Book
Difficulty : 02 Medium
Accessibility : Keyboard Navigation

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8) Explain why the top executives of Société Générale are more likely to be blamed than Jérôme Kerviel.

Question Details
Topic : Purpose of the Book
Difficulty : 03 Hard
Bloom's : Analyze
AACSB : Analytic
Accessibility : Keyboard Navigation

9) Volkswagen's problems were rooted in

9) ______

A) poor R&D.
B) flawed organizational design.
C) too much debt.
D) risky projects in India and the oil price hikes.

Question Details
Bloom's : Remember
AACSB : Reflective Thinking
Difficulty : 01 Easy
Topic : Introduction
Accessibility : Keyboard Navigation

10) Identify a critical aspect of corporate organization.

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10) ______

A) the assignment of decision rights within a company
B) the cost structure of the firm
C) the pricing strategies of the rival firms
D) the capita to labor ratio

Question Details
Bloom's : Remember
AACSB : Reflective Thinking
Topic : Managerial Economics and Organizational Architecture
Difficulty : 01 Easy
Accessibility : Keyboard Navigation

11) The authors argue that successful corporations assign decision rights in ways that

11) ______

A) effectively link decision-making authority with good information.
B) structure moneymaking tools for all employees.
C) completely eliminate the potential for fraud.
D) rely on monitoring and evaluation for all creativity.

Question Details
Bloom's : Remember
AACSB : Reflective Thinking
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Accessibility : Keyboard Navigation

12) According to the text, successful firms tend to set up

12) ______

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A) an organizational architecture that is complex and decisions are "top-down."
B) an organizational architecture that is least expensive and decisions are "top-down."
C) an organizational architecture that links decision making with decision rights.
D) an organizational architecture that keeps decision rights reserved for the senior management.

Question Details
Bloom's : Remember
AACSB : Reflective Thinking
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Difficulty : 01 Easy
Accessibility : Keyboard Navigation

13) The example of Volkswagen shows that

13) ______

A) selection of people is the key to organizational success or failure.
B) large incentives play an important role in motivating people within a corporation.
C) the success of a business is possible in a regulatory environment.
D) organizational architecture is extremely important in business success.

Question Details
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Bloom's : Understand
Difficulty : 02 Medium
Accessibility : Keyboard Navigation

14) Economics provides a theory to explain

14) ______

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A) how a successful business can be started.
B) how managers can cheat and get away with it.
C) how people make choices.
D) how businesses compete in the market.

Question Details
Bloom's : Remember
AACSB : Reflective Thinking
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Difficulty : 01 Easy
Accessibility : Keyboard Navigation

15) Recent research on CEO behavior tells us that CEOs generally

15) ______

A) increase their firm’s R&D expenditure so as to boost earnings long before they retire.
B) reduce their firm’s R&D expenditure so as to boost earnings long before they retire.
C) reduce their firm’s R&D expenditure so as to boost earnings just before they retire.
D) increase their firm's R&D expenditure so as to boost earnings just before they retire.

Question Details
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16) Which of the following is true of standard economic analysis?

16) ______

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A) It characterizes a firm as a black box that transforms inputs to outputs.
B) It focuses on the internal architecture of a firm.
C) It applies basic economic tools to examine the effects of managerial decisions.
D) It characterizes a firm as an organization that generates economic growth.

Question Details
Bloom's : Remember
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Difficulty : 01 Easy
Accessibility : Keyboard Navigation

17) Which of the following is the critical management question that might have reduced the likelihood of the collapse of Volkswagen?

17) ______

A) How are individuals rewarded for supporting the success of the company?
B) How are decision rights assigned within the company?
C) How are potential problems identified and more productive organizations structured?
D) How can the performance of individuals and business units be evaluated and structured so that the company is successful?

Question Details
Bloom's : Remember
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18) In the textbook, there is an example of a software firm in which the managers provided a financial incentive to get rid of software bugs. The result was that software writers added more bugs into the software. This example shows that

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18) ______

A) financial incentives should never be used.
B) most employees are corrupt.
C) incentives can create perverse effects.
D) high-tech firms are unique.

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Bloom's : Understand
Difficulty : 02 Medium
Accessibility : Keyboard Navigation

19) If the market demand and the market price for a product increase, then the reaction of companies that manufacture this product

19) ______

A) will be identical.
B) will be dependent on the prevailing tax system.
C) will depend on whether or not the organization is attuned to market incentives.
D) will be dependent on the government regulatory mission.

Question Details
AACSB : Reflective Thinking
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Difficulty : 02 Medium
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20) Economic Darwinism is seen when

20) ______

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A) organizational architecture is optimized by employing new technology.
B) competition weeds out ill-designed organizations that fail to adapt.
C) corporate mutations occur, like Enron.
D) market benchmarks are employed.

Question Details
Bloom's : Remember
AACSB : Reflective Thinking
Difficulty : 01 Easy
Topic : Economic Darwinism
Accessibility : Keyboard Navigation

21) Which of the following is a benefit of a competitive market structure?

21) ______

A) efficient decision making
B) a low tax rate
C) high cost of production
D) high market power

Question Details
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Bloom's : Understand
Difficulty : 02 Medium
Topic : Economic Darwinism
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22) Fama and Jensen suggest that "the form of organization that survives in an activity is the one that delivers the product demanded by customers at the lowest price while covering costs." This is an example of

22) ______

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A) market and organizational efficiency.
B) market and organizational equity.
C) economic benchmarking.
D) defective organizational architecture.

Question Details
AACSB : Reflective Thinking
Bloom's : Understand
Difficulty : 02 Medium
Topic : Economic Darwinism
Accessibility : Keyboard Navigation

23) In order to survive in a market, a firm needs to

23) ______

A) make extensive use of available technology.
B) hire more capital and less labor.
C) produce a product demanded by consumers at the lowest possible price while covering costs.
D) charge higher prices for its products than its rivals and revise prices upward periodically.

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Topic : Economic Darwinism
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24) The term *Darwinism* is important because it indicates

24) ______

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A) the randomness of existing companies.
B) that the surviving companies are the best in the *absolute* sense.
C) the capability to transform as the external environment changes.
D) the existence of a higher intelligence that promotes success.

Question Details
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Bloom's : Understand
Difficulty : 02 Medium
Topic : Economic Darwinism
Accessibility : Keyboard Navigation

25) The principle "survival of the fittest" tells us that

25) ______

A) only the most innovative and adaptive firms are likely to survive competition.
B) only the most innovative and adaptive firms are likely to attract more competition.
C) only the least innovative and adaptive firms are likely to survive competition.
D) only the most innovative and adaptive firms are likely to migrate to other products.

Question Details
Bloom's : Remember
AACSB : Reflective Thinking
Difficulty : 01 Easy
Topic : Economic Darwinism
Accessibility : Keyboard Navigation

26) The business practice of looking for a firm that has best practices in an area and then emulating those practices is called

26) ______

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A) organizational architecture.
B) benchmarking.
C) competitive markets.
D) decision management.

Question Details
Bloom's : Remember
AACSB : Reflective Thinking
Difficulty : 01 Easy
Topic : Economic Darwinism
Accessibility : Keyboard Navigation

27) Benchmarking means

27) ______

A) blind copying from others.
B) copying from the best so as to become better.
C) looking at yourself and telling others what to do.
D) looking at yourself and telling yourself you are the greatest.

Question Details
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28) Benchmarking may be a problem if

28) ______

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A) the current architecture is relatively unstable and proposed changes add huge benefits.
B) the current architecture is relatively stable and proposed changes add huge benefits.
C) the current architecture is relatively unstable and proposed changes add little benefits.
D) the current architecture is relatively stable and proposed changes add little benefits.

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Difficulty : 02 Medium
Topic : Economic Darwinism
Accessibility : Keyboard Navigation

29) If the technology, the nature of competition, or the regulatory environment change in an industry, then

29) ______

A) the appropriate organizational architecture will change too.
B) a good organizational architecture will shut down.
C) the organizational architecture will be able to restore the former market environment.
D) the industry will increase production.

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30) From Jerome Kerviel's actions in Société Générale, we realize that in a business organization, managers may turn a blind eye to certain "red flags" in the system if

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30) ______

A) the managers themselves conduct certain illegal activities.
B) the managers know that at some point these illegal activities will fail.
C) the managers believe that no worker will unnecessarily expose himself or herself.
D) the managers embrace risk taking as long as it benefits the company.

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Difficulty : 02 Medium
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Managerial Economics and Organizational Architecture 7th Edition by Brickley CH01
Answer Key

Test name: CH01

9) B
10) A
11) A
12) C
13) D
14) C
15) C
16) A
17) C
18) C
19) C
20) B
21) A
22) A
23) A
24) C
25) A
26) B
27) B
28) D
29) A
30) D

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