

# IIA-CIA-PART4<sup>Q&As</sup>

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**QUESTION 1**

A flat organization structure is one with relatively few levels of hierarchy and is characterized by wide spans of management control. A tall organization has many levels of hierarchy and narrow spans of control. Which of the following situations is consistent with a flat organization structure?

- A. Tasks require little direction and control of subordinates.
- B. Work areas are geographically dispersed.
- C. Tasks are highly complex and varied.
- D. Subordinates perform distinctly different tasks.

Correct Answer: A

Flat structures have the advantages of fast information flow from the top to the bottom of the organization and increased employee satisfaction. Tall structures are faster and more effective at problem resolution because of the increased frequency of interaction between superior and subordinate and the greater order imposed by the hierarchy. For a flat structure to be successful, employees must be able to work without supervision much of the time because a manager with many employees has little time for each one.

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**QUESTION 2**

The generic strategic costs of vertical integration include:

- I . Reduction of operating leverage
- II. Need to overcome mobility barriers
- III. A decrease in exit barriers
- IV. Loss of access to supplier technology

- A. I and III only.
- B. II and IV only.
- C. II, III, and IV only.
- D. I, II, III, and IV.

Correct Answer: B

Integration is a special case of entry into a new business. Thus, the firm must incur costs to overcome mobility barriers

to enter the adjacent business: economies of scale, proprietary technology, capital investment, sources of materials, etc. Integration also increases fixed costs and operating leverage, which is in itself a cause of increased business risk. Thus, an integrated firm is exposed to fluctuations affecting any of its components. For example, sales of an upstream component depend on sales of downstream components. Moreover, integration may increase the difficulty of leaving the industry (exit barriers). Finally, integration may foreclose access to supplier or customer technology. The integrated firm may have to create its own technology rather than taking advantage of supplier/customer expertise.

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### QUESTION 3

The key ingredient to group effectiveness is:

- A. Challenge.
- B. Trust.
- C. Norms.
- D. Roles.

Correct Answer: B

Groups in the acceptance stage of group development tend to be effective and efficient. This stage is characterized by personal and mutual understanding, tolerance of individual differences, constructive conflict about substantive matters, realistic expectations about group performance, and acceptance of the authority structure. The resulting trust engenders cohesiveness and a free exchange of information between group members.

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### QUESTION 4

Which of the following is an example of framing error?

- I. A job seeker may hope that the attractive appearance of a resume will sway the judgment of a potential employer.
- II.

A glass still holds 50% of its capacity whether the glass is described as half full or half empty. However, the former (latter) characterization may lead to a more (less) favorable opinion of the content.

- A.
- I only.
- B.
- I and II.
- C.
- II only.
- D.
- Neither I nor II.

Correct Answer: B

Framing error is a perceptual problem. The presentation or context of information may bias its interpretation and the resulting decision. Thus, favorably (unfavorably) presented information may be viewed more (less) favorably than its merits warrant. Both I and II are examples of framing errors.

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#### QUESTION 5

Which strategy in a global industry is most likely to rely on domestic content rules or high tariffs?

- A. A protected niche strategy.
- B. A national focus strategy.
- C. A national segment strategy.
- D. A global focus strategy.

Correct Answer: A

A protected niche strategy is applied in nations where global competitors are discouraged by governmental impediments, such as domestic content rules or tariffs. The strategy is designed to be effective in markets with governmental constraints and requires close attention to the national government.

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