

Chapter 02 - The Changing Environment of Organizations

True / False

1. In 2014, the volume of international trade in current dollars was more than 50 times greater than the amount in 1960.

- a. True
- b. False

ANSWER: True

2. More and more firms are moving back to domestic markets to control costs, especially to reduce labor costs.

- a. True
- b. False

ANSWER: False

3. The environment of business is expected to continue changing in the future.

- a. True
- b. False

ANSWER: True

4. Some of the growth of international business can be attributed to communication and transportation advances.

- a. True
- b. False

ANSWER: True

5. Cultural diversity can enhance synergy in an organization.

- a. True
- b. False

ANSWER: True

6. Culture helps a group understand which actions are acceptable and which are unacceptable.

- a. True
- b. False

ANSWER: True

7. An employee in a collectivistic culture would be much more concerned about her work than about her relationships with others.

- a. True
- b. False

ANSWER: False

8. In Mexico, people prefer to be in a situation in which authority is not emphasized and lines of authority are overlooked or deemphasized.

- a. True
- b. False

ANSWER: False

9. A culture low in masculinity is not aggressive and is not concerned with the acquisition of money and other

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possessions.

- a. True
- b. False

ANSWER: True

10. Workforce diversity refers to the important similarities and differences among the employees of the organization.

- a. True
- b. False

ANSWER: True

11. A prejudice is a generalization about a person or a group of persons based on certain characteristics or traits.

- a. True
- b. False

ANSWER: False

12. Differences in age, gender, ethnicity, and physical ability are all considered to be components of diversity.

- a. True
- b. False

ANSWER: True

13. Workforce diversity is mostly occurring in the United States, rather than in other countries around the world.

- a. True
- b. False

ANSWER: False

14. Valuing diversity means appreciating the varying ideas and perspectives that are provided by a heterogeneous workforce.

- a. True
- b. False

ANSWER: True

15. Four Seasons Hotels is an example of a manufacturing organization.

- a. True
- b. False

ANSWER: False

16. The most effective service organizations produce intangible outcomes for their customers.

- a. True
- b. False

ANSWER: True

17. Businesses have found that they can be more competitive if they can greatly decrease cycle times.

- a. True
- b. False

ANSWER: True

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18. Advances in information technology have resulted in communication at work that is less personal in nature.

- a. True
- b. False

ANSWER: True

19. Board independence is an issue when a board of directors includes members from related or partner firms.

- a. True
- b. False

ANSWER: True

20. Knowledge workers include scientists, engineers, product designers, and video game developers.

- a. True
- b. False

ANSWER: True

21. Globalization is one of the most significant sources of change for organizations today.

- a. True
- b. False

ANSWER: True

22. The culture of the United States has a more long-term orientation than that of Japan or Germany.

- a. True
- b. False

ANSWER: False

23. Rapid change in business relationships, organizational structures, and financial systems has made it easier to keep accurate track of a company's financial position.

- a. True
- b. False

ANSWER: False

24. Regardless of differences in religion, language, or politics, countries that are located near each other tend to have similar societal cultures.

- a. True
- b. False

ANSWER: False

25. Diversity training and diversity education need to communicate that bias is not a part of being human.

- a. True
- b. False

ANSWER: False

26. It is not realistic to claim or to pursue an "I'm totally unbiased" stance with regard to diversity.

- a. True

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b. False

ANSWER: True

Multiple Choice

27. The environment of all organizations is changing at a(n) _____ rate.

- a. decreased
- b. slowing
- c. unprecedented
- d. moderate
- e. inelastic

ANSWER: c

28. Understanding and addressing the environment of a business has traditionally been the purview of

- a. supervisors.
- b. stockholders.
- c. workers and line managers.
- d. stakeholders.
- e. top managers.

ANSWER: e

29. The most significant source of change impacting many organizations today is increasing

- a. cultural change.
- b. corporate governance.
- c. globalization.
- d. business ethics.
- e. technological knowledge.

ANSWER: c

30. Which of the following statements regarding cross-cultural differences and similarities is *not* true?

- a. Cultures and national boundaries always coincide.
- b. Culture is a set of values that is often taken for granted.
- c. A manager behaves differently in different cultural settings.
- d. There are profound cultural differences between Southern California and Texas.
- e. Japanese and U.S. workers are likely to have different attitudes toward work.

ANSWER: a

31. Which of the following is true about employees working in the same company but in different locations?

- a. Their behaviors may differ within and across countries.
- b. Their behaviors will be the same regardless of their location.
- c. Their behaviors at work are not important.
- d. Their behaviors will have nothing to do with their locations.
- e. Their behaviors will be the same within single countries but may differ from one country to the next.

ANSWER: a

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32. All of the following are considered cultural dimensions EXCEPT

- a. individualism/collectivism.
- b. uncertainty avoidance.
- c. power distance.
- d. masculinity.
- e. open-mindedness.

ANSWER: e

33. Which of the following statements is NOT true about individualistic cultures?

- a. It is important to stand out in the crowd.
- b. It is important to fit in with the group.
- c. Tasks are more important than relationships.
- d. Promotion is based on skills and rules.
- e. People are more concerned with themselves than with their work groups.

ANSWER: b

34. Another term for power distance is

- a. deontology.
- b. teleology.
- c. individualism.
- d. orientation to authority.
- e. collectivism.

ANSWER: d

35. The dimension of uncertainty avoidance is the extent to which

- a. workers prefer unambiguous situations.
- b. workers focus on the future.
- c. acquisition of money and things is emphasized.
- d. women are allowed to work in society.
- e. men maintain a glass ceiling.

ANSWER: a

36. Masculinity

- a. gives employees a sense of autonomy.
- b. is the extent to which workers focus on the future.
- c. enhances organizational effectiveness.
- d. emphasizes assertiveness.
- e. is the extent to which workers prefer clear situations.

ANSWER: d

37. Which of the following is a cultural dimension identified by Hofstede?

- a. Ethical idealism
- b. Groupthink

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- c. Power distance
- d. Workforce diversity
- e. Consumer behavior

ANSWER: c

38. All of the following are true about stereotypes EXCEPT that they
- a. lead to an appreciation of individual differences.
 - b. are based on certain characteristics or traits.
 - c. ignore the specific person.
 - d. are generalizations.
 - e. ignore the current situation.

ANSWER: a

39. Stereotypes can best be defined as
- a. favoring people similar to you.
 - b. focusing on differences among people.
 - c. grouping people into different categories.
 - d. judgments about others that reinforce beliefs about superiority and inferiority.
 - e. making generalizations about groups of people.

ANSWER: e

40. Which of the following is NOT an example of a dimension of diversity?
- a. Age
 - b. Gender
 - c. Sexual orientation
 - d. Mental abilities
 - e. Marital status

ANSWER: e

41. Which of the following is a component of surface-level diversity?
- a. Ethnicity
 - b. Pay differences
 - c. Knowledge
 - d. Work experience
 - e. Personality

ANSWER: a

42. Which of the following is a component of deep-level diversity?
- a. Physical abilities
 - b. Goals
 - c. Age
 - d. Gender
 - e. Ethnicity

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ANSWER: b

43. _____ refers to the variety of observable and unobservable similarities and differences among people.
- a. Diversity
 - b. Race
 - c. Ethnocentrism
 - d. Ethnicity
 - e. Stereotyping

ANSWER: a

44. Not paying attention to diversity can be costly to organizations in all of the following ways EXCEPT that it can
- a. decrease turnover.
 - b. lower productivity.
 - c. block minority involvement in decision making.
 - d. increase tensions among workers.
 - e. increase lawsuits.

ANSWER: a

45. Which of the following is NOT a benefit of valuing diversity?
- a. Access to more perspectives on a problem
 - b. Fresh perspectives
 - c. Less interpersonal conflict
 - d. Greater homogeneity
 - e. Richer ideas

ANSWER: d

46. A form of business that combines and transforms resources into tangible outcomes that are then sold to others is called a(n)
- a. manufacturing organization.
 - b. biotechnology firm.
 - c. information technology firm.
 - d. service organization.
 - e. hybrid organization.

ANSWER: a

47. A form of business that transforms resources into an intangible output and creates time or place utility for its customers is called a(n)
- a. manufacturing organization.
 - b. biotechnology firm.
 - c. information technology firm.
 - d. service organization.
 - e. hybrid organization.

ANSWER: d

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48. AMD makes computer chips that are installed in various computers. AMD is an example of a(n)

- a. manufacturing organization.
- b. biotechnology firm.
- c. information technology firm.
- d. service organization.
- e. hybrid organization.

ANSWER: a

49. Which of the following statements about technology is NOT true?

- a. Technology is a major driver for organizational change.
- b. It has widespread effects on the behavior of people in the organization.
- c. Technology provides a competitive advantage.
- d. It combines and transforms resources into outcomes.
- e. It is causing a shift toward a service-based economy.

ANSWER: d

50. Car makers design and produce new model cars much more quickly now than they did in the past. This is an example of

- a. effective leadership.
- b. decreased cycle time.
- c. increased employee morale.
- d. valued diversity.
- e. low-cost production.

ANSWER: b

51. An ice cream maker requires approximately two months from the time a new flavor is decided on in the corporate board room to the time it is produced and available to consumers in stores. This time is called

- a. competitive advantage time.
- b. information technology time.
- c. cycle time.
- d. production time.
- e. made-to-order time.

ANSWER: c

52. Which of the following statements about information technology is NOT true?

- a. It has resulted in leaner organizations.
- b. It provides more flexible operations.
- c. It has provided more down time for employees.
- d. It has increased collaboration among employees.
- e. It has improved management processes.

ANSWER: c

53. Which statement accurately describes a *downside* of information technology?

- a. It has increased personal communication.

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- b. It has increased a sense of urgency vis-à-vis decision-making.
- c. It has increased ethical decision-making for managers.
- d. It has resulted in more down time for managers.
- e. It has created inflexible worksites.

ANSWER: b

54. The duty of the board of directors of a public corporation is to
- a. audit the company's financial statements for accuracy.
 - b. recommend new products and services.
 - c. control the day-to-day operations of the firm.
 - d. protect the company from harsh overseas competition and lower labor costs.
 - e. ensure decisions by senior managers are in the best interests of the shareholders.

ANSWER: e

55. The oversight of a public corporation by its board of directors is called
- a. board isolation.
 - b. deontological overview.
 - c. corporate governance.
 - d. pricing policy.
 - e. profit maximization.

ANSWER: c

56. One way to address privacy concerns on the Internet is to
- a. keep all information collected confidential.
 - b. publicly display any information collected by the company.
 - c. post a privacy policy on the company's website.
 - d. avoid collecting any private information.
 - e. share collected information only with respectable firms.

ANSWER: c

57. Which of the following statements about knowledge workers is NOT true?
- a. Knowledge workers include computer scientists.
 - b. Knowledge workers require highly specialized training.
 - c. Compensation is specially tailored for the knowledge worker.
 - d. Knowledge workers do not add value to the organization.
 - e. Knowledge workers include video game developers.

ANSWER: d

58. A knowledge worker's career path may run parallel to a management career path. The benefit of this path for the worker is
- a. the chance to take on substantial management responsibilities.
 - b. more frequent training in management tasks.
 - c. less highly specialized training.

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- d. compensation that is equivalent to that available to management.
- e. freedom from specialized technical work.

ANSWER: d

59. In the past, Karson Photography Studios directly hired and managed its own custodial staff. Now, Karson contracts this work to a cleaning company. This is an example of

- a. corporate governance.
- b. offshoring.
- c. outsourcing.
- d. nearshoring.
- e. insourcing.

ANSWER: c

60. Examples of organizational functions to outsource include all of the following EXCEPT the organization's

- a. payroll function.
- b. human resource training program.
- c. corporate governance program.
- d. facility maintenance program.
- e. food service facility.

ANSWER: c

61. Marcos believes that men make better managers than women. Marcos' attitude is an example of

- a. stereotyping.
- b. prejudice.
- c. cultural competence.
- d. ethnocentrism.
- e. the "like me" bias.

ANSWER: b

62. _____ workers are hired because of what they know.

- a. Contingent
- b. Tiered
- c. Knowledge
- d. Offshore
- e. Outsourced

ANSWER: c

63. The oversight of a public corporation by its board of directors is called corporate

- a. ethics.
- b. malfeasance.
- c. lollygagging.
- d. responsibility.
- e. governance.

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ANSWER: e

64. A(n) _____ worker is employed in a company on an impermanent or part-time basis.

- a. tiered
- b. knowledge
- c. contingent
- d. offshore
- e. illegal

ANSWER: c

65. What term refers to employer and employee expectations of the employment relationship that operate over and above the formal contract of employment?

- a. Psychological contract
- b. Informed consent
- c. Emotional intelligence
- d. Emotional contract
- e. Prenuptial agreement

ANSWER: a

66. Psychological contracts create _____ promises and obligations between employees and the employer.

- a. ethical
- b. unethical
- c. implicit
- d. explicit
- e. absolute

ANSWER: c

67. The defining characteristic of a tiered workforce is that different employees are paid _____ wages for doing _____ work.

- a. different, the same
- b. different, different
- c. the same, different
- d. the same, the same
- e. some of the, all of the

ANSWER: a

68. What level of the corporate ladder is least diverse?

- a. Lowest level
- b. Assembly line workers
- c. Lower management
- d. Middle management
- e. top management (e.g., CEO)

ANSWER: e

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69. As the age diversity of work groups increases, it becomes increasingly likely that
- a. a non-minority will be the supervisor of a minority.
 - b. a minority will be the supervisor of a non-minority.
 - c. there will be conflicts because of age differences.
 - d. a younger employee will report to an older supervisor.
 - e. an older employee will report to a younger supervisor.

ANSWER: e

70. Mismanaging diversity is likely to result in all of the following EXCEPT
- a. reduced innovation.
 - b. reduced motivation.
 - c. increased absenteeism.
 - d. costly lawsuits.
 - e. reduced turnover.

ANSWER: e

71. Stereotypes can be based on all of the following characteristics EXCEPT
- a. race.
 - b. religion.
 - c. disability.
 - d. nationality.
 - e. ethics.

ANSWER: e

72. Employees who feel the need to protect their own career prospects by impeding the prospects of others are experiencing
- a. the "like me" bias.
 - b. prejudices.
 - c. ethnocentrism.
 - d. perceived threat of loss.
 - e. unequal access to organizational networks.

ANSWER: d

73. What is the most important element in effectively leveraging the positive potential of diversity?
- a. A clearly written policy manual
 - b. Support from lower-level managers
 - c. Affirmative action
 - d. Top management support
 - e. Labor unions

ANSWER: d

74. Reciprocal mentoring: matches _____ with _____ to allow both people to learn more about a different group.
- a. senior employees, diverse junior employees

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- b. managers, administrative assistants
- c. men, women
- d. managers, trustees
- e. engineers, marketers

ANSWER: a

75. Which of the following terms refers to the degree of inequality that exists and that is accepted among people with and without power?

- a. Masculinity
- b. Span of control
- c. Strength differential
- d. Power distance
- e. Privilege difference

ANSWER: d

76. Which of the following best reflects low individualism?

- a. Valuing personal achievement above the achievement of the group
- b. Believing that people are incapable of making decisions on their own
- c. Valuing personal freedom above all else
- d. Valuing harmony more highly than honesty
- e. Wanting to stand out from the crowd

ANSWER: d

77. Which of the following terms refers to the degree of anxiety people feel in unfamiliar situations?

- a. Decision-making difficulty
- b. Uncertainty avoidance
- c. Social anxiety disorder
- d. Masculinity
- e. Power distance

ANSWER: b

78. Which of the following does NOT reflect individualism?

- a. Valuing personal achievement above the achievement of the group
- b. Believing that people are incapable of making decisions on their own
- c. Valuing personal freedom above all else
- d. Valuing harmony more highly than honesty
- e. Wanting to stand out from the crowd

ANSWER: d

79. Which of the following terms refers to the ability to interact effectively with people of different cultures?

- a. Tolerance
- b. Racial knowledge
- c. Egalitarianism

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- d. Ethnocentrism
- e. Cultural competence

ANSWER: e

80. The fact that, consciously or subconsciously, we tend to prefer to associate with others who are like us is called
- a. the "like me" bias.
 - b. bigotry.
 - c. ethnocentrism.
 - d. perceived threat of loss.
 - e. stereotyping.

ANSWER: a

81. The belief that one's culture is superior to all others is called
- a. the "like me" bias.
 - b. bigotry.
 - c. ethnocentrism.
 - d. perceived threat of loss.
 - e. stereotyping.

ANSWER: c

82. Which of the following is considered diversity?
- a. Life experiences
 - b. Educational background
 - c. Where someone is from
 - d. How old someone is
 - e. All of these

ANSWER: e

83. _____ refers to individual differences that cannot be seen directly, including goals, values, personalities, decision-making styles, knowledge, skills, abilities, and attitudes.
- a. Surface-level diversity
 - b. All-level diversity
 - c. Deep-level diversity
 - d. Ethnocentrism
 - e. Cultural competence

ANSWER: c

84. _____ refers to observable differences in people, including race, age, ethnicity, physical abilities, physical characteristics, and gender.
- a. All-level diversity
 - b. Surface-level diversity
 - c. Deep-level diversity
 - d. Ethnocentrism
 - e. Cultural competence

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ANSWER: b

85. _____ diversity exists within a group when there are differences in a certain type or category, including group members' expertise, knowledge, or functional background.

- a. Variety
- b. Disparity
- c. Separation
- d. Ethnocentrism
- e. Token

ANSWER: a

86. When you notice that someone is tall, what type of diversity are you noticing?

- a. Longitudinal diversity
- b. Surface-level diversity
- c. Deep-level diversity
- d. Attitudinal diversity
- e. Ethnocentrism

ANSWER: b

87. _____ diversity reflects dissimilarity in attitudes or values, especially with regard to group goals or processes.

- a. The "like me" bias
- b. Disparity
- c. Ethnocentrism
- d. Separation
- e. Token

ANSWER: d

88. _____ diversity refers to differences in the concentration of valuable social assets or resources such as rank, pay, decision-making authority, and status.

- a. Variety
- b. Token
- c. Disparity
- d. Ethnocentrism
- e. Separation

ANSWER: c

Multiple Response

89. The purpose of diversity training is to help employees _____ their biases. Select ALL of the choices that would validly complete this sentence.

- a. control
- b. hide
- c. become aware of
- d. eliminate

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e. expand

ANSWER: a, c

90. Which of the following demonstrate surface-level diversity? **Select as many as apply.**

- a. The Chicago Bulls basketball team is made up of players with a variety of values and personalities.
- b. The people who volunteer for the local animal shelter have a wide variety of expertise that they use to help fundraise for the organization.
- c. The marketing team has five members, but only Gary has a title that he can put on his résumé.
- d. The manufacturing team at Revlon responsible for making and packaging makeup is comprised of people of a variety of ages, races, and nationalities.
- e. The Milwaukee Brewers baseball team has some players who are tall, some who are short, and others who are average in height.

ANSWER: d, e

91. Which of the following demonstrate deep-level diversity? **Select as many as apply.**

- a. The Chicago Bulls basketball team is made up of players with a variety of values and personalities.
- b. The people who volunteer for the local animal shelter have a wide variety of expertise that they use to help fundraise for the organization.
- c. The marketing team has five members, but only Gary has a title that he can put on his résumé.
- d. The manufacturing team at Revlon responsible for making and packaging makeup is comprised of people of a variety of ages, races, and nationalities.
- e. Some of the teachers at Kaplan Test Prep have an advanced degree—PhD, MS, MD, JD—while others do not.

ANSWER: a, b, e

Completion

92. The extent to which people in a culture develop tight social frameworks is called _____.

ANSWER: collectivism

93. Orientation to authority is another name for the cultural value _____.

ANSWER: power distance

94. Orientation to authority is the extent to which people accept as normal an unequal distribution of _____.

ANSWER: power

95. _____ orientation is tied to values that are oriented toward the past and the present and include respect for traditions and social obligations.

ANSWER: Short-term

96. _____ is the extent to which people feel threatened by unknown situations and prefer to be in clear and unambiguous situations.

ANSWER: Uncertainty avoidance

97. Michelle lives in a society where the focus is on the future, and where persistence and thrift are valued. Michelle's culture has a(n) _____ orientation.

ANSWER: long-term

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98. Parental status, religious beliefs, and military experience are examples of _____-level diversity.

ANSWER: deep

998. Pureflow collects water at a natural spring, filters it, and bottles it for sale. This work process makes Pureflow an example of a(n) _____ organization.

ANSWER: manufacturing

100. Powertrain is a fitness club that offers customers free personal trainers and nutrition consultants. This work process makes Powertrain an example of a(n) _____ organization.

ANSWER: service

101. Breakthroughs in _____ technology have resulted in leaner organizations and more collaboration across employees, but also in less personal communication and an increased sense of urgency in communications.

ANSWER: information

Matching

Match each barrier to inclusion with the scenario that most clearly illustrates it.

- a. Ethnocentrism
- b. Stereotyping
- c. The "like me" bias
- d. Prejudice
- e. Perceived threat of loss

102. Donald has nothing against Mexicans, but he thinks he'd make more money if there weren't so many of them willing to do his job for cheap.

ANSWER: e

103. Having traveled the world and experienced many different cultures first-hand, François believes that his native country of France is objectively superior to all others.

ANSWER: a

104. Susan has nothing against black people, but she thinks they're less intelligent on average than white people are.

ANSWER: d

105. George assumes that anyone with a Russian name is very good at chess.

ANSWER: b

106. Jayanti, a computer engineer, is Indian. Her coworkers represent a wide swath of cultures and nationalities, but she has befriended only other Indians.

ANSWER: c

Match each cultural dimension with the scenario that most clearly illustrates it.

- a. High power distance
- b. High individualism
- c. High masculinity
- d. High uncertainty avoidance

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e. High collectivism

107. It is very important to Chiharu that she fit in with her workgroup.

ANSWER: e

108. Paul might not agree with all of the decisions his boss makes, but Paul would never go behind his boss's back or "over his head" in an attempt to get something done.

ANSWER: a

109. Sierra is vital to her team's success, but in the grand scheme of things, her main goal is to get promoted and she could care less what happens to her team after that

ANSWER: b

110. Francisco is more interested in accruing wealth and material possessions than in fostering meaningful relationships in his personal or professional life.

ANSWER: c

111. Svea feels much more comfortable with her job when all of her duties are explicitly laid out and there are unambiguous rules defining what she can and cannot do.

ANSWER: d

Essay

112. Compare, contrast, and discuss the importance of ethics and corporate governance for business.

ANSWER: Ethics, or the beliefs as to what constitutes right or wrong in a situation, has taken on renewed importance in recent years due to high-profile ethical breaches by companies. Ethical dilemmas managers face revolve around how an organization treats its employees, how employees treat the organization, and how employees and organizations treat other economic agents. Corporate governance is one special aspect of business ethics and a medium for overseeing a public corporation by a board of directors. The board is entrusted with the task of ensuring the business is properly managed and that the decisions made by its senior management are in the best interests of shareholders and other stakeholders. A breakdown in this governing structure or exercising independence outside the ethical goals and expectations entrusted to the board can lead to problems.

113. Give an overview of Geert Hofstede's five dimensions of cultural values. How can understanding these values help managers?

ANSWER: Hofstede's five categories are individualism/collectivism, power distance, uncertainty avoidance, masculinity, and long-term orientation. Individualism is characterized by people in a culture defining themselves primarily as an individual versus being part of a group. Collectivism is characterized by tight social frameworks in which people tend to base their identities on the group to which they belong. Power distance is the extent to which people accept as normal an unequal distribution of power. Uncertainty avoidance is the extent to which people feel threatened by unknown situations and prefer to be in clear and unambiguous situations. Masculinity is the extent to which the dominant values in a society emphasize aggressiveness and the acquisition of money and other possessions as opposed to concern for people, relationships among people, and overall quality of life. Long-term orientation related to working on projects that have a distant payoff, persistence, and thrift. Bottom line is that managers should discern and understand these differing values and beliefs from diverse cultures because they affect work attitudes and beliefs directly.

114. Discuss the reasons for the decline of the manufacturing sector and the reasons for the tremendous growth in the service sector.

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ANSWER: Manufacturing embarked a long period of decline in the 1970s primarily due to foreign competition, who had better equipment and higher efficiency levels. Service organizations can play on the many tools, techniques, and methods that manufacturing firms used and can utilize these to increase customer utility. Advances in information technology have helped service firms respond more quickly and efficiently to consumer demands and competitors.

115. Discuss the growing presence of knowledge workers in today's workforce. How are knowledge workers different than traditional workers? Explain the special issues managers must deal with when employing knowledge workers.

ANSWER: Knowledge workers and how well these employees are managed is seen as a major factor in determining which firms will be successful in the future. These workers differ from traditional workers who were valued for what they did or their years of experience. Knowledge workers tend to work in high-technology firms and are usually experts in some abstract knowledge base. They often believe they have the right to work in an autonomous fashion, and they identify more strongly with their profession than with any organization—even to the extent of defining performance primarily in terms recognized by other members of their profession. As the importance of information-driven jobs grows, the need for knowledge workers will grow as well. These employees require extensive and highly specialized training, and not everyone is willing to make the human capital investments necessary to move into these jobs. In fact, even after knowledge workers are on the job, retraining and training updates are critical so that their skills do not become obsolete. It has been suggested, for example, that the “half-life” for a technical education in engineering is about three years. Further, the failure to update the required skills will not only result in the organization’s losing competitive advantage but will also increase the likelihood that the knowledge worker will go to another firm that is more committed to updating those skills. Compensation and related policies for knowledge workers must also be specially tailored.

116. Discuss outsourcing by explaining its purpose, costs and benefits. Give two examples of outsourcing.

ANSWER: Outsourcing enables a firm to better focus on its core activities and curbs costs when directed abroad, or offshoring. Those salary demands are lower and there is an abundance of talent to meet the firms’ needs. A publisher sending its textbook page makeup would be an example of outsourcing or offshoring, as would a cafeteria at a museum being outsourced to a company specializing in the food service industry.