

Principles of Management

Description of the Examination

The Principles of Management examination covers material that is usually taught in an introductory course in the essentials of management and organization. The fact that such courses are offered by different types of institutions and in a number of fields other than business has been taken into account in the preparation of this examination. It requires a knowledge of human resources and operational and functional aspects of management.

The examination contains approximately 100 questions to be answered in 90 minutes. Some of these are pretest questions that will not be scored.

Knowledge and Skills Required

Questions on the Principles of Management examination require candidates to demonstrate one or more of the following abilities in the approximate proportions indicated.

- Specific factual knowledge, recall and general understanding of purposes, functions and techniques of management (about 10 percent of the exam)
- Understanding of and ability to associate the meaning of specific terminology with important management ideas, processes, techniques, concepts and elements (about 40 percent of the exam)
- Understanding of theory and significant underlying assumptions, concepts and limitations of management data, including a comprehension of the rationale of procedures, methods and analyses (about 40 percent of the exam)
- Application of knowledge, general concepts and principles to specific problems (about 10 percent of the exam)

The subject matter of the Principles of Management examination is drawn from the following topics. The percentages next to the main topics indicate the approximate percentage of exam questions on that topic.

15%–25% Organization and Human Resources

Personnel administration
Human relations and motivation
Training and development
Performance appraisal
Organizational development
Legal concerns
Workforce diversity
Recruiting and selecting
Compensation and benefits
Collective bargaining

10%–20% Operational Aspects of Management

Operations planning and control
Work scheduling
Quality management (e.g., TQM)
Information processing and management
Strategic planning and analysis
Productivity

45%–55% Functional Aspects of Management

Planning
Organizing
Leading
Controlling
Authority
Decision making
Organization charts
Leadership
Organizational structure
Budgeting
Problem solving
Group dynamics and team functions
Conflict resolution
Communication
Change
Organizational theory
Historical aspects

10%–20% International Management and Contemporary Issues

- Value dimensions
- Regional economic integration
- Trading alliances
- Global environment
- Social responsibilities of business
- Ethics
- Systems
- Environment
- Government regulation
- Management theories and theorists
- E-business
- Creativity and innovation

Sample Test Questions

The following sample questions do not appear on an actual CLEP examination. They are intended to give potential test-takers an indication of the format and difficulty level of the examination and to provide content for practice and review. Knowing the correct answers to all of the sample questions is not a guarantee of satisfactory performance on the exam.

Directions: Each of the questions or incomplete statements below is followed by five suggested answers or completions. Select the one that is best in each case.

1. Which of the following words is NOT a step in the management process?
 - (A) Planning
 - (B) Leading
 - (C) Producing
 - (D) Controlling
 - (E) Organizing

2. A homebuilder dominates a market by offering attractive options, higher quality, and value-added services. Which of the following competitive strategies has the homebuilder adopted?
 - (A) Cost leadership
 - (B) Differentiation
 - (C) Price leadership
 - (D) Generic
 - (E) Design focus

3. Which of the following is a correct statement about controlling as a management function?
 - (A) It can be performed independently of planning.
 - (B) It is performed only by the controller of an organization.
 - (C) It is more prevalent in business than in government.
 - (D) It assumes a certain approach to motivating employees.
 - (E) It must be closely related to planning in order to work efficiently.

4. Decentralization tends to be encouraged by which of the following business trends?
 - I. Product diversification
 - II. Telecommuting
 - III. Geographical expansion of operations
 - (A) I only
 - (B) II only
 - (C) III only
 - (D) I and III only
 - (E) I, II, and III

5. Which of the following can be best determined by consulting an organization chart?
 - (A) The size of the company
 - (B) The distribution of company resources
 - (C) The nature of work performed
 - (D) The connections of positions
 - (E) The quality of management of the firm

6. The number of subordinates who directly report to a superior refers to the manager's
 - (A) span of control
 - (B) organizational role
 - (C) organizational structure
 - (D) chain of command
 - (E) general staff

7. Which of the following best illustrates informal organization?
- (A) Line authority, such as that of the field marshal and battalion commander in the military
 - (B) Staff authority, such as that of personnel or cost control in manufacturing
 - (C) Functional authority, such as corporate supervision of the legal aspect of pension plans in branch plants
 - (D) Groupings based on position titles
 - (E) Groupings based on such factors as technical ability, seniority, and personal influence
8. The choice of organizational structure to be used in a business should be
- (A) made by mutual agreement among all the people affected
 - (B) made by organization specialists rather than managers
 - (C) subject to definite and fixed rules
 - (D) based on the objectives of each individual business
 - (E) based on consideration of the type of organizational structures used by competitors
9. Which of the following best describes a system that requires subassemblies and components to be manufactured in small lots and delivered as needed to the next stage of production?
- (A) Just in time (JIT)
 - (B) Small batch inventory (SBI)
 - (C) Inventory readiness (IR)
 - (D) Inventory preparedness
 - (E) Integrated preparedness (IP)
10. Frederick Taylor is considered a pioneer in the school of management referred to as the
- (A) management process school
 - (B) empirical school
 - (C) scientific management school
 - (D) behaviorist school
 - (E) social system school
11. Preparation of which of the following is the most logical first step in developing an annual operating plan?
- (A) A sales forecast by product
 - (B) A production schedule by product
 - (C) A flow-of-funds statement by product
 - (D) A plant and equipment requirement forecast
 - (E) A pro forma income statement and balance sheet
12. A large span of control throughout an organization invariably results in
- (A) low morale
 - (B) high morale
 - (C) an excess workload for each manager
 - (D) a flat (horizontal) organizational structure
 - (E) a tall (vertical) organizational structure
13. Which of the following is a conflict-resolution practice that seeks to satisfy both parties in a conflict?
- (A) Avoidance
 - (B) Stipulation
 - (C) Competition
 - (D) Collaboration
 - (E) Appeal to authority

14. Which of the following is most commonly used to measure the total productivity of a company?
- (A) The ratio between total outputs and total inputs
 - (B) The ratio between fixed costs and variable costs
 - (C) The ratio between contribution margin and total revenue
 - (D) The ratio between the break-even point and total output
 - (E) The ratio between total inputs and total capital
15. The practice in large companies of establishing autonomous divisions whose heads are entirely responsible for what happens in the division is referred to as
- (A) management by exception
 - (B) decentralization of authority
 - (C) delegation of authority
 - (D) integration
 - (E) informal organization
16. Which of the following control techniques is most likely to emphasize the importance of time?
- (A) Break-even charts
 - (B) Physical standards
 - (C) Quality circles
 - (D) Variable budgeting
 - (E) Program Evaluation and Review Technique (PERT)
17. In a labor negotiation, if a third party has the power to determine a solution to a labor dispute between two parties, the negotiation is known as
- (A) a grievance
 - (B) an arbitration
 - (C) a conciliation
 - (D) a mediation
 - (E) a concession
18. A type of control device for assessing the progress of planned activities and the expenditure of resources allocated to their accomplishments is referred to as
- (A) a strategic plan
 - (B) an organizational chart
 - (C) a tactical plan
 - (D) a budget
 - (E) a proposal
19. Beatrice is a full-time employee who is permitted to arrange her schedule so that she works only four days a week and does not travel during rush hour. This is an example of Beatrice's employer
- (A) applying the Civil Rights Act, Title VII
 - (B) scheduling flextime
 - (C) engaging in sexual discrimination
 - (D) encouraging low productivity
 - (E) enhancing compensation
20. According to Maslow, the need to feel genuinely respected by peers, both in and out of the work environment, is included in which of the following need classifications?
- (A) Physiological
 - (B) Safety
 - (C) Stability
 - (D) Esteem
 - (E) Self-actualization
21. Which of the following management activities is most typically described as a controlling function?
- (A) Goal setting
 - (B) Purchasing
 - (C) Budgetary review
 - (D) Staffing
 - (E) Recruiting

22. Which of the following personality traits best describes individuals who can adapt and adjust their behavior to external factors?
- (A) Low self-esteem
 - (B) External locus of control
 - (C) High self-monitoring
 - (D) Low authoritarianism
 - (E) High authoritarianism
23. A person who believes that the ends justify the means is best described as
- (A) self-confident
 - (B) Machiavellian
 - (C) authoritarian
 - (D) having cognitive dissonance
 - (E) having an internal locus of control
24. In which of the following situations are groups most effective?
- (A) Cohesive groups with groupthink
 - (B) Noncohesive groups without groupthink
 - (C) Cohesive groups in alignment with organizational goals
 - (D) Noncohesive groups in alignment with organizational goals
 - (E) Cohesive groups not in alignment with organizational goals
25. If a manager commits a halo error in performance appraisal, the manager may have done which of the following?
- (A) Based assessment on most recent performance rather than an entire period.
 - (B) Based assessment on an entire period performance rather than most recent.
 - (C) Based assessment on a single attribute of employees' performance.
 - (D) Given every employee the same rating of "average."
 - (E) Failed to give feedback to employees about their performance.
26. Which of the following best describes a team that brings together organizational members from various areas such as marketing, engineering, human resources, and production to work on a task?
- (A) Command
 - (B) Self-managed
 - (C) Cross-functional
 - (D) Restrictive
 - (E) Informal
27. Which of the following is NOT an input, according to equity theory?
- (A) Effort
 - (B) Experience
 - (C) Education
 - (D) Seniority
 - (E) Pay incentives
28. Which of the following terms best describes leaders who guide or motivate their followers in the direction of established goals by stressing rewards and the consequences of not conforming to expectations?
- (A) Transactional
 - (B) Transformational
 - (C) Charismatic
 - (D) People-oriented
 - (E) Informal
29. Which of the following is the primary purpose of the management-by-objectives (MBO) approach?
- (A) Aligning goal setting and planning
 - (B) Creating a dynamic and complex work environment
 - (C) Reducing employee resistance to change
 - (D) Implementing standard operating procedures
 - (E) Implementing a decision rule to respond to a designated problem

30. Which of the following is best defined as a process that involves defining organizational objectives and goals, establishing an overall strategy, and developing a hierarchy of plans to integrate activities?
- (A) Manipulating
 - (B) Leading
 - (C) Planning
 - (D) Managing by objectives
 - (E) Controlling
31. Which of the following terms best describes a corporation's sexual harassment policy?
- (A) A single-use plan
 - (B) A standing plan
 - (C) A strategic plan
 - (D) A short-term plan
 - (E) A specific plan
32. The preparations that a small town might make for a visit by the President of the United States would be considered what type of plan?
- (A) Strategic
 - (B) Directional
 - (C) Standing
 - (D) Long-term
 - (E) Single-use
33. Which of the following best describes a type of planning in which multiple scenarios are developed to test possible future outcomes?
- (A) Queuing theory
 - (B) Simulations
 - (C) Linear regression
 - (D) Marginal profits
 - (E) Project management
34. Which of the following describes the critical path in a Program Evaluation and Review Technique (PERT) process?
- (A) Parts that require the most costly materials
 - (B) The most time-consuming sequence of events and activities
 - (C) The shortest route to the project completion
 - (D) The central guideline for quality control
 - (E) The property insurance
35. Which of the following oversees the transformation process that converts inputs such as labor and raw materials into outputs such as goods and services?
- (A) Operation management
 - (B) Control management
 - (C) Strategic management
 - (D) Human resource management
 - (E) Project management
36. An employee manual is given by a supervisor to employees reporting to that supervisor. The manual outlines attendance policies. This is an example of which of the following methods of developing norms in groups?
- (A) First behavior precedents
 - (B) Secondary behavior
 - (C) Explicit statements from an authority figure
 - (D) Critical events in the team's history
 - (E) Carryover from other experiences
37. The behavior of young athletes when they imitate the way they see professional athletes celebrate on television is most likely explained as
- (A) classical conditioning
 - (B) operant conditioning
 - (C) cognitive learning
 - (D) social learning
 - (E) behavior modification

PRINCIPLES OF MANAGEMENT

38. Which of the following best describes the situation in which an employee arrives for work on time in order to avoid being placed on probation for a second time?
- (A) Positive reinforcement
 - (B) Negative reinforcement
 - (C) Extinction
 - (D) Intermittent reinforcement
 - (E) Cognitive learning
39. Which of the following are most likely to cause a team to avoid groupthink?
- I. The team holds a second-chance meeting.
 - II. Outside experts are invited to observe and react to the group process.
 - III. The team leader expresses an opinion at the outset of the meeting to save time.
- (A) I only
 - (B) I and II only
 - (C) I and III only
 - (D) II and III only
 - (E) I, II, and III
40. If a manager announces a casual-dress policy on Fridays and then comes to work dressed casually on the following Friday, this is an example of
- (A) planning
 - (B) organizing
 - (C) leading
 - (D) controlling
 - (E) negative reinforcement
41. Which of the following models classifies products as stars, question marks, cash cows, or dogs?
- (A) Porter's five forces model
 - (B) Theory X
 - (C) The Boston Consulting Group Matrix
 - (D) Theory Y
 - (E) Kanban
42. If George blames new software for his group's poor performance in the most recent quarter, but attributes the group's success in the prior quarter to his outstanding managerial skills, he is most likely exhibiting
- (A) projection
 - (B) selective perception
 - (C) fundamental attribution error
 - (D) self-serving bias
 - (E) Pygmalion effect
43. Praise received from an employee's peers is best described as an example of
- (A) an extrinsic reward
 - (B) an intrinsic reward
 - (C) low valence
 - (D) high instrumentality
 - (E) high directive leadership
44. Which of the following procedures is (are) appropriate when disciplining an employee?
- I. Advising the employee of what he or she has done wrong.
 - II. Advising the employee of what he or she does well.
 - III. Disciplining the employee in private.
- (A) I only
 - (B) II only
 - (C) I and II only
 - (D) II and III only
 - (E) I, II, and III
45. When a company adopts telecommuting, which core job characteristic is likely to be influenced the most?
- (A) Skill variety
 - (B) Task identity
 - (C) Task significance
 - (D) Autonomy
 - (E) Job feedback

P R I N C I P L E S O F M A N A G E M E N T

46. If jobs are designed so that each worker assembles a different part of a product on an automated assembly line, the job design is most likely to
- (A) provide high levels of intrinsic rewards
 - (B) be highly challenging
 - (C) make it easy to train workers
 - (D) be highly satisfying
 - (E) demand creativity from the workers
47. If individual contributions in a group project are not evaluated, which of the following is likely to occur?
- (A) Synergy
 - (B) Task significance
 - (C) Social loafing
 - (D) The Leavitt effect
 - (E) Vertical loading
48. Determining whether membership of a group should be heterogeneous or homogeneous should be most influenced by which of the following factors?
- (A) The group size
 - (B) Status congruence
 - (C) The organizational setting
 - (D) The goals, rewards, and resources
 - (E) The nature of the task
49. Which of the following describes the most favorable situation for a leader of a group?
- (A) The group has high group cohesiveness and positive group performance norms
 - (B) The group has high group cohesiveness and negative group performance norms
 - (C) The group has low group cohesiveness and positive group performance norms
 - (D) The group has low group cohesiveness and negative group performance norms
 - (E) The group has both moderate cohesiveness and moderate performance norms
50. In their classic study of the bases of social power, John R. P. French and Bertram Raven explicitly identified all of the following sources EXCEPT
- (A) referent
 - (B) expert
 - (C) coercive
 - (D) information
 - (E) reward
51. If an investor buys a stock based on the recommendation of a broker because the broker's previous recommendations have been profitable, the broker possesses which type of power?
- (A) Referent
 - (B) Legitimate
 - (C) Informal authority
 - (D) Charismatic
 - (E) Expert
52. Which of the following styles of leadership is most likely to be effective with workers who have experience and are professionally oriented?
- (A) Supportive
 - (B) Task-oriented
 - (C) Achievement-oriented
 - (D) Mentoring
 - (E) Authoritarian
53. "You are always late to meetings and this will have to change!"
- Which of the following best describes the comment above by a manager to an employee?
- (A) Proxemics
 - (B) Constructive feedback
 - (C) A general overspecific comment
 - (D) A specific overgeneral comment
 - (E) Nonverbal communication

P R I N C I P L E S O F M A N A G E M E N T

54. The power base that relies on the use of knowledge to persuade is best described as
- (A) rewards
 - (B) expert
 - (C) referent
 - (D) coercive
 - (E) legitimate
55. Which of the following is the most accurate description of a grapevine in an organization?
- (A) It is a constant source of disruptive information.
 - (B) It follows the chain of command.
 - (C) It can be suppressed once it is recognized.
 - (D) It plays an important role in organizations.
 - (E) Most managers believe that it is a positive source of information.
56. Which of the following business situations is most appropriate for telecommuting?
- (A) Workers thrive on competition.
 - (B) Decisions and actions are predetermined.
 - (C) Decisions rely on negotiation and social interaction.
 - (D) There is an oversupply of workers.
 - (E) Individual productivity is of primary importance.
57. Empowerment opportunities are LEAST likely to be found in which of the following?
- (A) Participative goal setting
 - (B) Serving as a messenger
 - (C) Delegation of work
 - (D) Self-managed teams
 - (E) Freedom to experiment
58. Which of the following pairs of functions of management are most closely interdependent?
- (A) Staffing and organizing
 - (B) Staffing and controlling
 - (C) Planning and leading
 - (D) Planning and controlling
 - (E) Disciplining and recruiting
59. Which of the following is the primary concern of employees responsible for strategic planning in a company?
- (A) Monitoring daily cash flow
 - (B) Determining the contribution each subunit should make to the overall corporation
 - (C) Determining how to accomplish specific tasks with available resources
 - (D) Determining how to pursue long-term goals with available resources
 - (E) Preparing the annual statement
60. Which of the following is most likely to result from the use of flowcharts in planning?
- (A) A guarantee that work will progress according to schedule
 - (B) A visual sequencing of activities
 - (C) A chart useful for comparing cash flow during two different quarters
 - (D) A scheduling process
 - (E) A combined sequencing and scheduling plan
61. Which of the following is a deterrent to "escalation of commitment"?
- (A) A desire to justify earlier decisions
 - (B) Organizational politics
 - (C) An efficiency "reality check"
 - (D) The Abilene paradox
 - (E) A cultural emphasis on persistence

P R I N C I P L E S O F M A N A G E M E N T

62. Which of the following is most likely to be a major advantage of group-aided decision making?
- (A) Social pressure can drive the decision.
 - (B) Goal displacement and hidden agendas can occur.
 - (C) Groupthink may occur.
 - (D) The likelihood that the decision will be accepted increases.
 - (E) It frequently saves both time and money.
63. Which of the following basic leadership styles most closely matches the "high structure, low consideration" of the Ohio State leadership studies?
- (A) Country club
 - (B) Team
 - (C) Selling
 - (D) Relationship motivated
 - (E) Telling
64. According to Fiedler's contingency studies, for organizations that were considered "moderately favorable" in terms of leaders' authority, task definition, and leader-member relationships, which of the following is the most effective style for the leader to have?
- (A) Country club
 - (B) Team
 - (C) Selling
 - (D) Relationship motivated
 - (E) Telling
65. Large organizations are likely to structure their work operations and personnel in any of the following ways EXCEPT
- (A) accounting
 - (B) divisional
 - (C) geographic
 - (D) market
 - (E) product
66. The span of control most appropriate in a given organization is primarily influenced by which of the following?
- (A) Types of services or products being produced
 - (B) Amount of supervision needed by subordinates
 - (C) Amount of authority given to a supervisor
 - (D) Number of hierarchical levels within the organization
 - (E) Presence of work teams
67. The extensive use of work teams in an organization is most likely to occur under which of the following circumstances?
- (A) Control is centralized by top management.
 - (B) The management style is primarily autocratic.
 - (C) Employees are unmotivated.
 - (D) Supervisors have a narrow span of control.
 - (E) Employee involvement is a management goal.
68. Which of the following quality tools utilizes a visual depiction of a process to help identify problem areas?
- (A) Vector diagram
 - (B) Histogram
 - (C) Scatter diagram
 - (D) Cause-and-effect diagram
 - (E) Pareto chart
69. Outsourcing allows an organization to have which of the following?
- (A) Higher employee motivation
 - (B) Improved labor-management relations
 - (C) Lower accident rates
 - (D) Greater flexibility in staffing
 - (E) Increased control over employees