**Study Guide Solutions**

**Chapter 1: The Changing Face of Business**

**Application of Vocabulary**

1. List the four factors of production in the private enterprise system:

**1. natural resources**

**2. human resources**

**3. capital**

**4. entrepreneurship**

2.List the basic rights guaranteed to the public in the private enterprise system.

**1. private property**

**2. profit**

**3. freedom of choice**

**4. fair competition**

3. The economics system that rewards firms for their ability to perceive and serve the needs and demand of consumers is called **capitalism**.

4. **Branding** is the process of creating an identity for a good, service, or company that is readily recognized by the firm’s intended market.

5. A name, term, sign, symbol, design, or some combination that identifies the product of one firm and differentiates it from competitors’ offerings is known as **brand**.

6. The **relationship era** is the business era in which businesses seek ways to nurture customer loyalty by carefully managing every interaction.

7. **Competitive differentiation** is the unique combination of organizational abilities and approaches that sets a firm apart from competitors in the minds of consumers.

8. **Strategic alliances** are long-term partnerships of firms designed to improve overall competitiveness.

9. In capitalism, also known as the **private enterprise system**, success or failure depends on how well firms can perceive and meet customer needs and wants.

10. A **partnership** is an affiliation of two or more companies that help each other achieve common goals. One such form of partnership is a **strategic alliance**, a partnership formed to create a competitive advantage for the businesses involved.

11. The profit-seeking activities that produce the goods and services needed by an economic system or society are collectively called **business**.

12. Firms engaged in **outsourcing** hire outside firms who are specialists to perform operations that were formerly handled by the company’s own employees.

13. **Technology** is the term used to describe the business application of knowledge based on science, inventions, and innovation.

14. The battle among businesses vying for consumer acceptance is known as **competition**.

15. **Vision** is the managerial quality of being able to perceive marketplace needs and identify what an organization must do to satisfy them.

16. Outsourcing production or services to locations near a firm’s home base is called **nearshoring**.

17. In the marketing era of business development, firms adopted a **consumer orientation**, which means they find out what customers want and need and then design products to meet those needs.

18. **Offshoring** is the relocation of business processes to lower-cost locations overseas.

19. The four basic inputs for effective operation are collectively known as **factors of production**, which includes natural resources, capital, human resources, and entrepreneurship.

20. Risk takers who initiate economic activity in the private enterprise system are known **entrepreneurs**.

21. The **diversity** of the Canadian workforce enhances innovation, creativity, and sensitivity to the multicultural marketplace by blending individuals of different genders, ethnic backgrounds, cultures, religions, ages, and physical and mental abilities, and increases a firm’s chance of success.

22. **Critical thinking** skills include the ability to analyze information and assess its authenticity, accuracy, and worth; to evaluate arguments; and to identify crucial issues, problems, opportunities, and solutions.

23. **Relationship management** is the collection of activities that build and maintain ongoing, mutually beneficial ties with customers and other parties.

24. Before the 1990s, businesses tended to rely on **transaction management**. This approach focused on current sales and profits instead of thinking about the future benefits of creating long-term customers.

25. **Creativity** is the capacity to develop novel solutions to perceived organizational problems and to see better and different ways of doing business.

26. **Not-for-profit organizations** have primary objectives such as public service rather than returning a profit to their owners.

27. **The social era** is a new approach to the way businesses and individuals interact, connect, communicate, share, and exchange information with each other in virtual communities and networks around the world.

**Analysis of Learning Objectives**

**Learning Objective 1.1:** Define business.

***True or False***

1. \_\_T\_\_\_ In the private enterprise system, businesses are the primary providers of the goods and services needed by society.

2. \_\_T\_\_\_ Not-for-profit organizations face some of the same challenges as businesses that are profit-oriented.

3. \_\_F\_\_\_ While religious and charitable organizations are not-for-profits, government agencies are not.

4. \_\_F\_\_ Only profit-seeking organizations face competition.

**Learning Objective 1.2:** Identify the factors of production.

***Multiple Choice***

1. These are product inputs that are useful in their natural states:

**a. natural resources**. c. entrepreneurship.

b. human resources. d. capital.

2. Production inputs consisting of technology, tools, information, and physical facilities are called:

**a. capital.** c. natural resources.

b. human resources. d. entrepreneurship.

3. Production inputs consisting of anyone who works, including both physical and intellectual labour, are called:

a. natural resources. c. entrepreneurship.

**b. human resources**. d. capital.

4. The willingness to take risks to create and operate business is known as:

a. capital. c. natural resources.

b. human resources. **d. entrepreneurship.**

**Learning Objective 1.3:** Describe the private enterprise system.

***True or False***

1. \_\_F\_\_\_ Private enterprise and capitalism are two different economic systems.

2. \_\_T\_\_\_ People who take the risks of pursuing a business opportunity are called entrepreneurs.

3. \_\_T\_\_\_ Profits are both the reward and the incentive for risk taking.

4. \_\_F\_\_\_ Entrepreneurship does not require taking risks.

5. \_\_T\_\_\_ Business competition is healthy and beneficial to consumers.

6. \_\_F\_\_\_ Freedom of choice means that firms will have the right to compete fairly.

7. \_\_T\_\_\_ Fair competition is a basic right required under the private enterprise system.

**Learning Objective 1.4:** Identify the six eras in the history of business.

***True or False***

1. \_\_F\_\_\_ The colonial era was characterized by a factory system and the growth of large cities.

2. \_\_F\_\_\_ The production era marked the beginning of a major emphasis on marketing in the business world.

3. \_\_F\_\_\_ During the marketing era, advertisement took a back seat as a business strategy.

4. \_\_T\_\_\_ The relationship era is driven by information technology that allows firms to form long-term relationships with customers.

5. \_\_\_T\_\_ The sales era, which entailed overcoming customer resistance, was a result of the Great Depression.

6. \_\_T\_\_\_ Carnegie, Vanderbilt, and McCormick are examples of industrial entrepreneurs.

***Multiple Choice***

7. A partnership formed to create competitive advantage for the businesses involved is  
called a:

a. social responsibility. **c. strategic alliance.**

b. vision. d. global market.

8. Managing technology means:

a. using technology to provide new goods and services for customers.

b. using technology to improve customer service while lowering prices.

c. being aware of new questions about business ethics and social responsibility.

**d. all of the above.**

9. Management philosophy that includes preserving the natural environment is known as:

**a. social responsibility.** c. strategic alliance.

b. global market. d. vision.

**Learning Objective 1.5:** Explain how today’s business workforce, and the nature of work itself, is changing.

***True or False***

1. \_\_T\_\_\_ More and more firms are relocating business operations to lower cost locations overseas.

2. \_\_F\_\_\_ Internet use has hindered the ability for businesses to outsource.

3. \_\_F\_\_ Experts predict a decline in the number of older adult workers by 2030.

4. \_\_T\_\_\_ China and Mexico continue to be locations for production offshoring.

5. \_\_T\_\_\_ The nature of work has shifted towards services, with more focus on information.

**Learning Objective 1.6:** Identify the skills and attributes needed for the 21st-century manager.

***Short Answer***

*Describe why creativity is an important quality for today’s managers. What are some ways that potential or preexisting managers can practice channeling their creativity?*

Creativity is the capacity to develop novel solutions to perceived organizational problems. Today’s managers will need creativity and vision to stay on top of rapidly changing technology, and to manage complex relationships in the global business environment of the fast-paced 21st century. There are several practice and mental exercises that help to cultivate creativity. For example, people can work on getting themselves to think with a different mindset by considering failures or encounters with new people as learning experiences. People can keep a pen and notepad with them at all times and record their dreams and daydreams, which might produce effective ideas or solutions to preexisting problems. Also, regular physical exercise helps the body release endorphins, which spark energy and creative thinking.

**Learning Objective 1.7:** Outline the characteristics and attributes that make a company admired.

***Multiple Choice***

1. The standards of conduct and moral values that admired companies practice are known as:

a. vision. c. social responsibility.

b. creativity. **d. business ethics.**

2. The call for greater social responsibility among admired business means:

a. businesses should focus exclusively on short-term profit goals.

b. businesses should focus exclusively on the interests of the owners and  
managers.

**c. management should consider the social, environmental and economic effects of management decisions.**

d. management should consider giving away all the firm’s profits for good causes.

3. Failure to behave ethically:

a. can be costly in the long-run.

**b. can damage a company’s image.**

c. will damage efforts to build long-term customer relationships.

d. all of the above.

4. Admired companies generate stable profits, which is defined as:

**a. the difference between revenues and expenses which are incurred to generate revenues.**

b. a firm’s sales revenues over a period of time.

c. the cost of domestic production.

d. net sales.

e. assets minus liabilities.

5. Employees in an admired company work in an environment they find to be:

**a. challenging.** c. simple.

b. stress-free. d. homogeneous.

**Self Review**

***True or False***

1. \_\_\_T\_\_\_ A simplistic definition of business would be: All profit-seeking activities and enterprises that provide products and services needed or desired in an economic system.

2. \_\_\_T\_\_\_ More and more large firms are recognizing the value of entrepreneurial activities among their employees.

3. \_\_\_T\_\_\_ Technology is an example of capital.

4. \_\_\_F\_\_\_ The factor payment for the use of capital is profit.

5. \_\_\_T\_\_\_ The most basic freedom under the free enterprise system is the right to private property.

6. \_\_T\_\_\_\_ The industrial revolution involved mass production, the specialization of labor, and the development of machines and the railroads.

7. \_\_\_T\_\_\_ Besides creating jobs and selling products, entrepreneurship provides the benefits of innovation.

8. \_\_\_T\_\_\_ In the 21st century, managers will have to find the best way to connect people, technology, and ethics to form strong partnerships with customers, employees, and other organizations.

9. \_\_F\_\_\_\_ Managers can expect the pace of change to slow in the future.

10. \_\_T\_\_\_\_ The marketing era introduced the idea that a firm should identify and satisfy consumer wants and needs.

11. \_\_\_F\_\_\_ Freedom of choice within the private enterprise system means that citizens can choose their own employment, purchases, and investments.

***Multiple Choice***

13. The *Wealth of Nations* was written by:

a. Paul Samuelson.

b. Karl Marx.

**c. Adam Smith.**

d. John Galbraith.

14. A capitalist economic system could also be called:

a. a community interest system.

b. a Utopian system.

c. a futile system.

**d. a private enterprise system.**

15. The factor payment that rewards entrepreneurship is:

a. interest. c. interest.

**b. profit.** d. rent.

16. The Canadian workforce in the 21st century can be expected to:

**a. require greater skill and flexibility.**

b. be less mobile.

c. be less diverse.

d. do less telecommuting

e. include fewer older workers

17. An entrepreneur is defined as a(n):

a. government employee.

**b. risk taker.**

c. professional manager.

d. monopolist.

e. executive.

18. Laws that prohibit price discrimination and deceptive advertising practices are  
included in the right to:

a. private property. c. freedom of choice.

**b. profits.** d. fair competition.

19. The right of the risk taker to retain his or her after-tax earnings is the right to:

a. freedom of choice. c. private property.

b. fair competition. **d. profits.**

20. In the free enterprise system, the individual’s right to select a career is one example  
of:

a. private property. **c. freedom of choice.**

b. profits. d. fair competition.

21. During which period did the demand for manufactured goods continue to increase, with businesses focusing on greater attention on the activities involved in producing those goods.

**a. production era** d. relationship era

b. industrial era e. social era

c. marketing era

22. The “invisible hand of competition” refers to:

a. Canada Revenue Agency’s taxation of your earnings.

b. the problem of shoplifting in American retailing.

**c. the way competition in a market economy produces high quality and low prices.**

d. the need for government regulation to ensure high quality and low prices.

***Application Exercises***

***Jamal is preparing a presentation on the factors of production through his observations at a local book and snack shop. List the four factors of production Jamal will discuss. For each, provide a specific example that might pertain to the book and snack shop business.***

1. Natural Resources: The book and snack shop owner might convert sunlight into electricity using solar power panels, or some of the furniture could be manufactured locally using local timber.

2. Capital: The book and snack shop would use technology such as a computerized point-of-sale system for the cash register, for networking with customers or potential business partners through social media sites, and working with suppliers.

3. Human resources: The book and snack shop would have an owner would helped train staff members and keep the books and accounting records, a handful of employees serving as cashiers, and possibly one baker/cook.

4. Entrepreneurship: The owner of the book and snack shop would have to be willing to take risks since he or she would be opening a small business during economic hardships. The owner would also need to be creative and follow a vision so that the book and snack shop would have a competitive edge that would make customers visit that particular shop over others that offered the same goods and services.

***Short Essay Questions***

1. ***Describe the private enterprise system.***

The private enterprise system is an economic system that rewards firms for their ability to perceive and serve the needs and demands of consumers. Competition in the private enterprise system ensures success for firms that meet and satisfy consumer demands. Citizens in a private enterprise system enjoy the rights to private property, profits, freedom of choice, and competition.

**2. What is *relationship management*, and how can it enhance business prospects?**

In the 1990s business moved from transaction management to relationship management. Relationship management makes use of information technology, partnerships, and strategic alliances to build and sustain long-term relationships with customers, suppliers, and other outside groups. Relationship management also depends increasingly on a talented, diverse workforce to serve and understand the multicultural global market. Contributions and creativity of workers is crucial, so new employee-employer partnerships have arisen to develop and retain better relationships with customers and other outside groups. Finally, management must engage in ethical business practices and consider social responsibilities to the wider society to assure the firm’s long-term success.