

Chapter 1—The Framework of Contemporary Business

MATCHING

Complete the following using these terms.

- a. Outsourcing
 - b. Diversity
 - c. Entrepreneur
 - d. competitive differentiation
 - e. strategic alliance
 - f. Capital
 - g. Vision
 - h. factors of production
 - i. Brand
 - j. relationship management
 - k. not-for-profit organizations
 - l. business ethics
1. To operate effectively, certain inputs called _____ systems are required for all economic systems.
 2. _____ refers to technology, tools, information, and physical facilities.
 3. A company that contracts with another business to perform functions previously handled by internal staff is participating in _____.
 4. A partnership formed to create a competitive advantage for the businesses involved is known as a(n) _____.
 5. A person who seeks a profitable opportunity and then devises a plan to achieve that profit is called a(n) _____.
 6. The ability to perceive future marketplace needs and what an organization can do to satisfy them is referred to as _____.
 7. A(n) _____ is a name, terms, sign, symbol, design, or combination that identifies the products of one firm.
 8. _____ is a collection of activities that build and maintain ongoing, mutually beneficial ties between a business and its customers and other parties.
 9. _____ involves blending different genders, ethnic backgrounds, cultures, religions, ages, and physical and mental abilities in order to enhance a firm's chances of success.
 10. _____ are businesslike establishments that have primary objectives other than returning profits to their owners.
 11. _____ refers to the standards of conduct and moral values involving decisions made in the work environment.
 12. _____ is the unique combination of organizational abilities, products, and approaches that sets a company apart from competitors in the minds of consumers.
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|---------------------|--------|--|
| 1. ANS: H | DIF: 2 | REF: What is Business? |
| NAT: AACSB Analytic | | MSC: KN |
| 2. ANS: F | DIF: 2 | REF: What is Business? |
| NAT: AACSB Analytic | | MSC: KN |
| 3. ANS: A | DIF: 2 | REF: Today's Business Workforce |
| NAT: AACSB Analytic | | MSC: KN |
| 4. ANS: E | DIF: 2 | REF: Six Eras in the History of Business |
| NAT: AACSB Analytic | | MSC: KN |
| 5. ANS: C | DIF: 2 | REF: What is Business? |
| NAT: AACSB Analytic | | MSC: KN |

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|---------------------|--------|--|
| 6. ANS: G | DIF: 2 | REF: The 21 st -Century Manager |
| NAT: AACSB Analytic | | MSC: KN |
| 7. ANS: I | DIF: 2 | REF: Six Eras in the History of Business |
| NAT: AACSB Analytic | | MSC: KN |
| 8. ANS: J | DIF: 2 | REF: Six Eras in the History of Business |
| NAT: AACSB Analytic | | MSC: KN |
| 9. ANS: B | DIF: 2 | REF: Today's Business Workforce |
| NAT: AACSB Analytic | | MSC: KN |
| 10. ANS: K | DIF: 2 | REF: What is Business ? |
| NAT: AACSB Analytic | | MSC: KN |
| 11. ANS: L | DIF: 2 | REF: What Makes a Company Admired? |
| NAT: AACSB Analytic | | MSC: KN |
| 12. ANS: D | DIF: 2 | REF: The Private Enterprise System |
| NAT: AACSB Analytic | | MSC: KN |

ESSAY

1. Define profit. Explain why you agree or disagree with the following statement: "The success of a business is measured only by the profit it earns."

ANS:

Profit is the financial reward received by successful businesspeople who take the risks involved in blending people, technology, and information to create and market want-satisfying goods and services. In order to be successful in a private enterprise system, a business must earn a satisfactory profit; otherwise, the owners and investors will turn to more attractive opportunities. However, businesses today are expected to do more than earn a satisfactory profit -- they also have social and ethical responsibilities. In other words, businesses must behave responsibly in their dealings with employees, customers, suppliers, the general public, and even with their competitors.

DIF: 3 REF: What is Business? NAT: AACSB Reflective Thinking
MSC: AP

2. List the four factors of production and the corresponding factor payments.

ANS:

The four factors, and the factor payment for each, are natural resources (rent), capital (interest), human resources (wages), and entrepreneurship (profit).

DIF: 2 REF: What is Business? NAT: AACSB Analytic
MSC: KN

3. Explain how consumers benefit from business competition.

ANS:

Competition forces a business that wants to continue to be profitable to constantly find acceptable ways to satisfy customers' needs. Customers benefit from new products, more services, and more economical strategies and operations that are continuously offered by firms as they strive for customer acceptance. These tactics often bring lower prices, better quality, and more convenience to the customers. The ability to buy more raises the standard of living, increases demand, and subsequently creates more jobs.

DIF: 3 REF: The Private Enterprise System NAT: AACSB Reflective Thinking

MSC: AP

4. List and describe the four basic rights in the private enterprise system.

ANS:

The right to private property guarantees every participant the right to own, use, buy, sell and bequeath most forms of property. The right to profits ensures business owners the right to all profits (after taxes) they earn through their activities. Freedom of choice means that a private enterprise system relies on the potential for citizens to choose their own employment, purchases and investments. Finally, the private enterprise system permits fair competition by allowing the public to set rules for competitive activity, including laws that prohibit “cutthroat” competition.

DIF: 3

REF: The Private Enterprise System

NAT: AACSB Analytic

MSC: KN

5. List the six eras of business history. Describe the era that introduced Henry Ford’s assembly line.

ANS:

The six eras are the Colonial period, the Industrial Revolution, the age of industrial entrepreneurs, the production era, the marketing era, and the relationship era. Henry Ford’s assembly line (introduced in the early 1900s) belonged to the production era. This era was characterized by an emphasis on producing an increased amount of goods that were made faster and cheaper.

DIF: 2

REF: Six Eras in the History of Business

NAT: AACSB Reflective Thinking

MSC: AP

6. What is the basic difference between the production era and the relationship era?

ANS:

During the production era, management concentrated on the production process and internal processes rather than external influences. The relationship era is using technology to have direct links with customers, employees, suppliers and other organizations. This allows businesses to improve their understanding of what their customers want from the company.

DIF: 3

REF: Six Eras in the History of Business

NAT: AACSB Reflective Thinking

MSC: AP

7. Explain the difference between transaction management and relationship management.

ANS:

Building and promoting products with the hope that the sales will cover costs and earn an acceptable profit is known as transaction management. Actively promoting long-term relationships with customers by carefully managing each interaction is known as relationship management. Potential benefits of relationship management include higher prices and lower marketing expenses.

DIF: 2

REF: Six Eras in the History of Business

NAT: AACSB Reflective Thinking

MSC: AP

8. In the context of business, define technology.

ANS:

In a business context, technology can be defined as an application of knowledge based on scientific discoveries, inventions, and innovations. In managing relationships with customers, technology most often takes the form of communication.

DIF: 2 REF: Six Eras in the History of Business NAT: AACSB Technology
MSC: KN

9. Explain how e-business has created a new type of strategic alliance among companies.

ANS:

An e-business strategic alliance enables online companies, such as eBay or Amazon, to work with traditional retail stores for the benefit of both companies. Traditional companies bring their merchandise and knowledge of distribution, while online companies provide increased opportunities for sales and additional return on their dollars.

DIF: 2 REF: Six Eras in the History of Business NAT: AACSB Technology
MSC: AP

10. Describe how the aging population in the United States and abroad directly affects changes in the workforce.

ANS:

Employers must deal with issues such as retirement, disability programs, retraining, and insurance benefits. Additionally, teenagers are entering the workforce sooner, and some seniors are staying longer or seeking new careers after retiring from their primary careers.

DIF: 2 REF: Today's Business Workforce NAT: AACSB Reflective Thinking
MSC: AP

11. What are the advantages of a diverse workforce?

ANS:

Studies show that diverse employee teams and workforces tend to perform tasks more effectively and develop better solutions to business problems than homogeneous employee groups. Also, a diverse workforce may improve management's understanding of customer needs and relationships with consumer groups.

DIF: 2 REF: Today's Business Workforce NAT: AACSB Diversity
MSC: KN

12. Describe the difference between outsourcing, offshoring, and nearshoring.

ANS:

Outsourcing utilizes outside vendors to produce goods or fulfill services and functions that were previously handled in-country or in-house. Offshoring is the relocation of business processes to lower-cost locations overseas, which can include both production and services. Nearshoring involves outsourcing production or services to locations near a firm's home base.

DIF: 2 REF: Today's Business Workforce NAT: AACSB Analytic
MSC: KN

13. Explain the new employer-employee relationship in business.

ANS:

Many firms now recognize the value of a partnership with employees that encourages creative thinking, problem solving, and innovation. Managers are being trained to listen to and respect employees, and companies routinely share financial data and reward employees with benefits, such as stock options. Additionally, employees often receive training geared toward career advancement. Employees are no longer likely to remain with a single company throughout their entire careers and do not necessarily expect lifetime loyalty from the companies they work for. They do not expect to give that loyalty either. Instead, they build their own careers however and wherever they can.

DIF: 2 REF: Today's Business Workforce NAT: AACSB Reflective Thinking
MSC: AP

14. Define the term vision. Why is vision an important skill today?

ANS:

Vision is the ability to perceive marketplace needs and what an organization must do to satisfy them. Vision and the ability to turn ideas into action enhance a firm's chances of success.

DIF: 1 REF: The 21st-Century Manager NAT: AACSB Reflective Thinking
MSC: AP

15. What are some examples of external and internal forces that would require a manager to lead organizational change?

ANS:

External forces might include feedback from customers, developments in the international marketplace, economic trends, and new technologies. Internal factors might arise from new company goals, emerging employee needs, labor union demands, or production problems.

DIF: 2 REF: The 21st-Century Manager NAT: AACSB Reflective Thinking
MSC: AP

16. What makes a company admired?

ANS:

Companies that make lists of "most admired" tend to have solid profits, stable growth, a safe and challenging work environment, high-quality products, and strong business ethics and social responsibility.

DIF: 2 REF: What Makes a Company Admired? NAT: AACSB Ethics
MSC: KN

17. Explain how business ethics differs from social responsibility.

ANS:

Business ethics refers to standards of conduct and moral values involving right and wrong actions in the work environment. Social responsibility is the actions taken by an organization that lead to social and economic benefits to society as a whole, such as supporting charitable organizations and protecting the environment.

DIF: 2 REF: What Makes a Company Admired? NAT: AACSB Ethics
MSC: AP

MULTIPLE CHOICE

1. Which of the following are organized for profit and provide goods and services?
- Public schools
 - Churches
 - Government
 - Businesses

ANS: D DIF: 1 REF: What is Business?
NAT: AACSB Reflective Thinking MSC: AP

2. All of the following statements are correct EXCEPT:
- Successful businesses seek to meet their social and ethical responsibilities.
 - Business is the economic pulse of a nation.
 - Business includes nonprofit organizations that provide services to the public.
 - Business provides goods and services necessary to an economic system.

ANS: C DIF: 3 REF: What is Business ?
NAT: AACSB Reflective Thinking MSC: AP

3. In accounting terms, profits are _____.
- the difference between revenues and expenses
 - the difference between commissions earned and receipts
 - the difference between sales and expenses
 - the sum of sales and expenses

ANS: A DIF: 1 REF: What is Business?
NAT: AACSB Analytic MSC: KN

4. In the U.S. economy, _____ are considered the reward for the risk of entering business.
- Revenues
 - Profits
 - Sales
 - generated income amounts

ANS: B DIF: 3 REF: What is Business ?
NAT: AACSB Ethics MSC: AP

5. _____ is essential because it serves as a primary incentive for people to start companies, expand them, and provide consistently high-quality competitive goods and services.
- Vision
 - Profit
 - Market research
 - Philanthropy

ANS: B DIF: 2 REF: What is Business ?
NAT: AACSB Reflective Thinking MSC: KN

6. All of the following are businesses EXCEPT _____.
- U.S. Postal Service
 - UPS
 - FedEx
 - AOL Time Warner

ANS: A DIF: 1 REF: What is Business ?
NAT: AACSB Analytic MSC: KN

7. All of the following are typically part of the not-for-profit sector EXCEPT _____.
a. hotels
b. political parties
c. religious organizations
d. labor unions

ANS: A DIF: 2 REF: What is Business ?
NAT: AACSB Analytic MSC: AP

8. A public-sector not-for-profit organization would include which of the following?
a. library
b. museum
c. charitable group
d. labor union

ANS: D DIF: 2 REF: What is Business ?
NAT: AACSB Analytic MSC: KN

9. The factors of production in an economic system are _____.
a. land, rent, capital, and human resources
b. capital, perseverance, natural resources, and human resources
c. rent, wages, interest, and profit
d. natural resources, human resources, capital, and entrepreneurship

ANS: D DIF: 2 REF: What is Business ?
NAT: AACSB Analytic MSC: KN

10. Timber Trails, a Northwest lumber company, utilizes _____ as its primary production factor.
a. natural resources
b. Capital
c. Entrepreneurship
d. human resources

ANS: A DIF: 2 REF: What is Business ?
NAT: AACSB Reflective Thinking MSC: AP

11. Donovan Corporation's sources of capital can include all of the following EXCEPT _____.
a. investments from stockholders
b. reinvested profits
c. cash dividends declared by Donovan's board of directors and paid to the stockholders
d. investments from venture capitalists

ANS: C DIF: 3 REF: What is business ?
NAT: AACSB Reflective Thinking MSC: AP

12. Technology, tools, information, and physical facilities for the operation of a business are called _____.
a. profits
b. wages
c. capital
d. interest

ANS: C DIF: 1 REF: What is Business ?

NAT: AACSB Technology

MSC: KN

13. _____ can result in a new product, improvements in an existing product, as well as providing more efficient communication within a company.
- Critical thinking
 - Competitive differentiation
 - Technology
 - Productivity

ANS: C

DIF: 2

REF: What is Business ?

NAT: AACSB Technology

MSC: KN

14. The human resources of a firm refer to _____.
- union workers only
 - everyone over 18 years of age
 - management personnel
 - everyone who works for the business

ANS: D

DIF: 1

REF: What is Business ?

NAT: AACSB Analytic

MSC: KN

15. Tarek, a former middle manager from Alexander Manufacturing, owns and operates a Subway franchise. Tarek is demonstrating _____.
- social responsibility
 - socialism
 - entrepreneurship
 - pure competition

ANS: C

DIF: 2

REF: The Private Enterprise System

NAT: AACSB Reflective Thinking

MSC: AP

16. Businesses that operate in an environment where success or failure is determined by how well they match and counter the offerings of competitors are operating under _____.
- the private enterprise system
 - a social democracy
 - a monopoly
 - socialism

ANS: A

DIF: 2

REF: The Private Enterprise System

NAT: AACSB Analytic

MSC: KN

17. Capitalism is founded on _____.
- the social changes that followed the Industrial Revolution
 - the idea that 80 percent of the nation's wealth should be owned by no more than 20 percent of the people
 - the idea that the government must own all factors of production
 - the belief that competition among business firms best serves the needs of society

ANS: D

DIF: 2

REF: The Private Enterprise System

NAT: AACSB Analytic

MSC: KN

18. In his book *The Wealth of Nations*, the Scottish economist Adam Smith was the first person to describe _____.
- socialism
 - communism

- c. capitalism
- d. entrepreneurship

ANS: C DIF: 1
NAT: AACSB Analytic

REF: The Private Enterprise System
MSC: KN

19. To be successful in the private enterprise system, firms must _____.
- a. be organized as corporations
 - b. find a basis for competitive differentiation
 - c. believe that high prices will automatically ensure high profits
 - d. be regulated by government

ANS: B DIF: 1
NAT: AACSB Analytic

REF: The Private Enterprise System
MSC: KN

20. When Greenlawn Inc. finds itself losing contracts because Lo-Price Lawn Co. charges less money, Greenlawn responds by lowering its bids. This reaction demonstrates _____.
- a. the right to private property
 - b. the invisible hand of competition
 - c. collusion
 - d. social responsibility

ANS: B DIF: 3
NAT: AACSB Reflective Thinking

REF: The Private Enterprise System
MSC: AP

21. Namesh recently sold his Ford Taurus to a personal friend. Namesh's sale of his automobile illustrates the right to _____.
- a. freedom of choice
 - b. private property
 - c. profit
 - d. set ground rules for competitive activity

ANS: B DIF: 3
NAT: AACSB Reflective Thinking

REF: The Private Enterprise System
MSC: AP

22. All of the following are basic rights within a private enterprise system EXCEPT _____.
- a. private property
 - b. guaranteed profits
 - c. freedom of choice of investment
 - d. freedom of choice of employment

ANS: B DIF: 2
NAT: AACSB Analytic

REF: The Private Enterprise System
MSC: KN

23. The right to profit means the _____.
- a. risk taker is guaranteed the right to all profits (after taxes) that are earned by the business
 - b. right to go into or out of business at any point and for any reason
 - c. government will guarantee a profit
 - d. right to all benefits resulting from the ownership of property

ANS: A DIF: 2
NAT: AACSB Analytic

REF: The Private Enterprise System
MSC: KN

24. Which of the following is considered to be the most fundamental right of the private enterprise system?
- a. The right to private property

- b. The right to guaranteed profits
- c. Freedom of choice
- d. The right to fair competition

ANS: A

DIF: 2

REF: The Private Enterprise System

NAT: AACSB Analytic

MSC: KN

25. Citizens in a private enterprise system have the right to choose their employment, purchases, and investments, illustrating their right to _____.
- a. profit
 - b. credit
 - c. freedom of choice
 - d. private property

ANS: C

DIF: 1

REF: The Private Enterprise System

NAT: AACSB Analytic

MSC: KN

26. All of the following are rights granted to citizens and to the government in a private enterprise system EXCEPT the right to _____.
- a. Fair competition
 - b. permit price discrimination
 - c. select from among a variety of goods and services
 - d. own property

ANS: B

DIF: 2

REF: The Private Enterprise System

NAT: AACSB Analytic

MSC: KN

27. In colonial days, America's economy was primarily based on _____.
- a. gold mining
 - b. agriculture
 - c. real estate
 - d. mass production

ANS: B

DIF: 1

REF: Six Eras in the History of Business

NAT: AACSB Analytic

MSC: KN

28. In colonial society, real economic and political power was centered in _____.
- a. Cities
 - b. rural areas
 - c. areas west of the Mississippi River
 - d. metropolitan areas

ANS: B

DIF: 1

REF: Six Eras in the History of Business

NAT: AACSB Analytic

MSC: KN

29. The Industrial Revolution in England transformed America's economy by introducing _____.
- a. The concept of each worker producing one complete product
 - b. labor unions
 - c. the factory system
 - d. the continuously moving assembly line

ANS: C

DIF: 2

REF: Six Eras in the History of Business

NAT: AACSB Analytic

MSC: KN

30. The American Industrial Revolution did not make real progress until _____.
- a. a railroad system was built providing fast, economical transportation

- b. a good relationship was formed with England
- c. the introduction of the automobile occurred
- d. a reliable system of telephone communication was established

ANS: A DIF: 2 REF: Six Eras in the History of Business
NAT: AACSB Analytic MSC: KN

31. J. P. Morgan and Andrew Carnegie were _____.
- a. intrapreneurs
 - b. entrepreneurs
 - c. political leaders
 - d. union leaders

ANS: B DIF: 1 REF: Six Eras in the History of Business
NAT: AACSB Analytic MSC: KN

32. Henry Ford is noted in business history for introducing the moving assembly line, which greatly reduced the cost of producing a car. Assembly lines first became common during the _____.
- a. relationship era
 - b. marketing era
 - c. Industrial Revolution
 - d. production era

ANS: D DIF: 2 REF: Six Eras in the History of Business
NAT: AACSB Analytic MSC: KN

33. Which of the following BEST distinguishes the philosophy of the marketing era from the philosophy of the production era?
- a. The production era was more consumer oriented.
 - b. The marketing era advocated price discrimination.
 - c. The production era occurred after World War II.
 - d. The marketing era was more consumer oriented.

ANS: D DIF: 3 REF: Six Eras in the History of Business
NAT: AACSB Reflective Thinking MSC: AP

34. The business philosophy that advocates determining what consumers want and need, and then designing products to satisfy those needs, is known as _____.
- a. consumer orientation
 - b. self-sufficiency concept
 - c. Work ethic
 - d. production concept

ANS: A DIF: 2 REF: Six Eras in the History of Business
NAT: AACSB Reflective Thinking MSC: AP

35. The concept of branding first emerged during the _____.
- a. production era
 - b. relationship era
 - c. age of the industrial entrepreneur
 - d. marketing era

ANS: D DIF: 2 REF: Six Eras in the History of Business
NAT: AACSB Analytic MSC: KN

36. The relationship era is driven by _____.

- a. advances in manufacturing technology
- b. advances in marketing research
- c. advances in communication technology
- d. an increase in the number of business transactions

ANS: C DIF: 2 REF: Six Eras in the History of Business
NAT: AACSB Technology MSC: KN

37. Technology has resulted in all of the following EXCEPT _____.
- a. product obsolescence
 - b. the creation of new industries
 - c. the opening of new business opportunities
 - d. less business efficiency

ANS: D DIF: 1 REF: Six Eras in the History of Business
NAT: AACSB Technology MSC: AP

38. Concentrating on building and promoting products in hopes that enough customers will buy them in order to cover costs and earn acceptable profits is called _____.
- a. relationship management
 - b. transaction management
 - c. a strategic alliance
 - d. marketing management

ANS: B DIF: 1 REF: Six Eras in the History of Business
NAT: AACSB Analytic MSC: KN

39. Nurturing customer loyalty by gathering knowledge of customer needs and preferences is an approach known as _____.
- a. relationship management
 - b. transaction management
 - c. a strategic alliance
 - d. marketing management

ANS: A DIF: 1 REF: Six Eras in the History of Business
NAT: AACSB Analytic MSC: KN

40. A partnership is _____.
- a. a category of relationship management
 - b. an affiliation of two or more companies
 - c. not common in the e-business world
 - d. the same as transaction management

ANS: B DIF: 1 REF: Six Eras in the History of Business
NAT: AACSB Analytic MSC: KN

41. Apple iPods sold on Amazon's Web site signifies the formation of a _____ to increase profits.
- a. transaction alliance
 - b. brand partnership
 - c. strategic alliance
 - d. marketing agreement

ANS: C DIF: 2 REF: Six Eras in the History of Business
NAT: AACSB Reflective Thinking MSC: AP

42. Which of the following statements is NOT correct?

- a. The U.S. population is getting older.
- b. The size of the labor pool is decreasing.
- c. The U.S. population is becoming more diverse.
- d. Workers change jobs less frequently today.

ANS: D DIF: 1 REF: Six Eras in the History of Business
NAT: AACSB Analytic MSC: KN

43. The number of people age 65 and over will _____ by 2030.
- a. decrease by approximately 10 percent
 - b. increase by approximately 10 percent
 - c. increase by approximately 50 percent
 - d. double

ANS: D DIF: 2 REF: Today's Business Workforce
NAT: AACSB Analytic MSC: KN

44. Diverse employee teams tend to perform _____ and develop _____ than do homogenous employee groups.
- a. less effectively; better solutions
 - b. More effectively; better solutions
 - c. less effectively; worse solutions
 - d. More effectively; worse solutions

ANS: B DIF: 2 REF: Today's Business Workforce
NAT: AACSB Diversity MSC: AP

45. Outsourcing _____.
- a. reduces the diversity of the workforce
 - b. can make a firm more competitive
 - c. increases staffing requirements
 - d. increases costs

ANS: B DIF: 1 REF: Today's Business Workforce
NAT: AACSB Analytic MSC: KN

46. When a business employs an outside company to handle all customer correspondence and phone calls, the business is _____ its customer service department.
- a. multitasking
 - b. shrinking
 - c. outsourcing
 - d. branding

ANS: C DIF: 2 REF: Today's Business Workforce
NAT: AACSB Reflective Thinking MSC: AP

47. When Google opened offices in Tokyo, London, and Sydney, they were utilizing _____ by relocating business activities to lower-cost locations overseas.
- a. nearshoring
 - b. outsourcing
 - c. offshoring
 - d. employee sourcing

ANS: C DIF: 2 REF: Today's Business Workforce
NAT: AACSB Reflective Thinking MSC: AP

48. The work-comes-first lifestyle is exemplified by:

- a. Generation X
- b. Generation Y
- c. Baby-boomers
- d. the EU

ANS: C
Reflective Thinking
MSC: AP

DIF: 1

REF: Today's Business Workforce NAT: AACSB

49. The new employer-employee partnership has led to all of the following EXCEPT _____.

- a. increased job security
- b. sharing of financial information with employees
- c. increased emphasis on listening to and respecting employees
- d. helping employees improve skills and knowledge

ANS: A
NAT: AACSB Reflective Thinking

DIF: 1

REF: Today's Business Workforce
MSC: AP

50. When a U.S. company outsources work to Mexico, it is _____.

- a. offshoring
- b. nearsourcing
- c. nearshoring
- d. exporting

ANS: C
NAT: AACSB Communication

DIF: 2

REF: Today's Business Workforce
MSC: AP

51. For today's managers, which of the following is LEAST important?

- a. The ability to work by strict rules
- b. Vision
- c. Critical thinking skills
- d. Creativity

ANS: A
NAT: AACSB Reflective Thinking

DIF: 1

REF: The 21st-Century Manager
MSC: AP

52. _____ is the ability to perceive marketplace needs and what an organization must do to satisfy these needs.

- a. Critical thinking
- b. Social responsibility
- c. Vision
- d. Creativity

ANS: C
NAT: AACSB Analytic

DIF: 1

REF: The 21st-Century Manager
MSC: KN

53. Emily works for a pharmaceutical company and gives a presentation on the need to expand the company's geriatric division within the next 10 years. Emily is helping to establish the company's _____.

- a. creativity
- b. productivity
- c. vision
- d. critical thinking

ANS: C
NAT: AACSB Reflective Thinking

DIF: 2

REF: The 21st-Century Manager
MSC: AP

54. In business, _____ refers to the ability to see better and different ways of doing business.
- a. critical thinking
 - b. social responsibility
 - c. vision
 - d. creativity

ANS: D DIF: 1 REF: The 21st-Century Manager
NAT: AACSB Analytic MSC: KN

55. Restating issues in reverse, such as naming ways to lose customers, is a method of developing _____.
- a. critical thinking
 - b. social responsibility
 - c. vision
 - d. creativity

ANS: A DIF: 2 REF: The 21st-Century Manager
NAT: AACSB Reflective Thinking MSC: AP

56. When 3M managers decided to manufacture Post-it notes, a new product was born. This was an example of _____ in action.
- a. vision
 - b. creativity
 - c. social responsibility
 - d. critical thinking skills

ANS: B DIF: 2 REF: The 21st-Century Manager
NAT: AACSB Reflective Thinking MSC: AP

57. Alejandro is seeking to revitalize his graphic design company with new innovations, and has called a brainstorming meeting with his top designers. Alejandro is practicing _____.
- a. creativity
 - b. vision
 - c. critical thinking
 - d. productivity

ANS: A DIF: 2 REF: The 21st-Century Manager
NAT: AACSB Reflective Thinking MSC: AP

58. Feedback from customers is an example of a(n) _____ that requires organizational change.
- a. internal force
 - b. external force
 - c. change agent
 - d. marketing issue

ANS: B DIF: 2 REF: The 21st-Century Manager
NAT: AACSB Analytic MSC: KN

59. Which of the following is NOT an example of an internal force that requires organizational change?
- a. Labor union demands
 - b. Production problems
 - c. New technologies
 - d. New company goals

ANS: C DIF: 2 REF: The 21st-Century Manager
NAT: AACSB Analytic MSC: KN

60. _____ refers to standards of conduct and moral values of a firm.
- a. Business ethics
 - b. Social responsibility
 - c. A social audit
 - d. Creativity

ANS: A DIF: 1
NAT: AACSB Ethics

REF: What Makes a Company Admired ?
MSC: KN

61. “Newman’s Own” is a food product line that gives 100% of its after-tax profits to charity. This company is practicing _____.
- a. business ethics
 - b. social responsibility
 - c. customer satisfaction
 - d. creativity

ANS: B DIF: 2
NAT: AACSB Ethics

REF: What Makes a Company Admired ?
MSC: AP

62. When management adheres to a set of standards involving the right and wrong actions arising in the work environment, management is practicing _____.
- a. social responsibility
 - b. business ethics
 - c. social welfare
 - d. creativity

ANS: B DIF: 1
NAT: AACSB Ethics

REF: What Makes a Company Admired ?
MSC: KN

63. Which of the following companies is NOT on Fortune magazine’s 10 most admired U.S. companies list?
- a. Starbucks
 - b. Johnson & Johnson
 - c. General Electric
 - d. Intel

ANS: D DIF: 2
NAT: AACSB Ethics

REF: What Makes a Company Admired ?
MSC: AP

64. When management's decisions align with social and economic issues, the company is practicing _____.
- a. social responsibility
 - b. business ethics
 - c. social welfare
 - d. creativity

ANS: A DIF: 1
NAT: AACSB Ethics

REF: What Makes a Company Admired ?
MSC: KN

65. Social responsibility would include all of the following EXCEPT _____.
- a. supporting the local United Way
 - b. Buying goods and services from minority-owned vendors
 - c. making campaign contributions to politicians in the hope of obtaining a government contract

d. making contributions to the local public radio station

ANS: C

DIF: 2

REF: What Makes a Company Admired ?

NAT: AACSB Ethics

MSC: AP

TRUE/FALSE

1. Large corporations are defined as businesses, whereas small companies are more of an investment.

ANS: F

DIF: 1

REF: What is Business ?

NAT: AACSB Reflective Thinking

MSC: AP

2. Companies are not required to be ethical to succeed in the long run.

ANS: F

DIF: 1

REF: What is Business ?

NAT: AACSB Ethics

MSC: KN

3. In order to remain viable, not-for-profit organizations need to focus on profits even more than the public service they provide.

ANS: F

DIF: 2

REF: What is Business ?

NAT: AACSB Ethics

MSC: AP

4. Not-for-profit organizations are commonly exempt from federal, state, and local taxes.

ANS: T

DIF: 2

REF: What is Business ?

NAT: AACSB Analytic

MSC: KN

5. Just as with a for-profit business, the first priority for a not-for-profit organization is making a profit.

ANS: F

DIF: 2

REF: What is Business ?

NAT: AACSB Reflective Thinking

MSC: AP

6. All factors of production are found in equal amounts in all businesses.

ANS: F

DIF: 1

REF: What is Business ?

NAT: AACSB Analytic

MSC: KN

7. Capital includes money, machines, tools, buildings, and human resources.

ANS: F

DIF: 1

REF: What is Business ?

NAT: AACSB Analytic

MSC: KN

8. Natural resources are essential for certain companies, but are not required for all economic systems.

ANS: F

DIF: 2

REF: What is Business ?

NAT: AACSB Analytic

MSC: KN

9. Technology is considered to be capital.

ANS: T

DIF: 1

REF: What is Business ?

NAT: AACSB Technology

MSC: KN

10. High-end technology, such as the Global Positioning Satellite System offered in some new cars, is considered a capital resource.

ANS: T DIF: 2 REF: What is Business ?
NAT: AACSB Technology MSC: AP

11. When farmers rent land in order to increase crop production, they are acquiring capital.

ANS: F DIF: 1 REF: What is Business ?
NAT: AACSB Reflective Thinking MSC: AP

12. Entrepreneurship is synonymous with 'risk-taking.'

ANS: T DIF: 2 REF: What is Business ?
NAT: AACSB Technology MSC: KN

13. The private enterprise system encourages government intervention.

ANS: F DIF: 1 REF: The Private Enterprise System
NAT: AACSB Reflective Thinking MSC: AP

14. The U.S. functions under the private enterprise system.

ANS: T DIF: 1 REF: The Private Enterprise System
NAT: AACSB Reflective Thinking MSC: AP

15. Adam Smith's "invisible hand" refers to the battle among businesses for consumer acceptance.

ANS: T DIF: 1 REF: The Private Enterprise System
NAT: AACSB Analytic MSC: KN

16. Profits are guaranteed by the private enterprise system for every entrepreneur with good management skills.

ANS: F DIF: 1 REF: The Private Enterprise System
NAT: AACSB Reflective Thinking MSC: AP

17. Private property is considered the most important right in the private enterprise system.

ANS: T DIF: 2 REF: The Private Enterprise System
NAT: AACSB Analytic MSC: KN

18. When customers enter a supermarket and select their favorite brand of laundry detergent, they are exercising their right to freedom of choice.

ANS: T DIF: 2 REF: The Private Enterprise System
NAT: AACSB Reflective Thinking MSC: AP

19. When the government sets ground rules for competitive activity, the intent is to increase freedom of choice for consumers.

ANS: T DIF: 1 REF: The Private Enterprise System
NAT: AACSB Reflective Thinking MSC: AP

20. In the private enterprise system, government has no role to play in ensuring fair competition.

ANS: F DIF: 2 REF: The Private Enterprise System
NAT: AACSB Analytic MSC: KN

21. Unfair or "cutthroat" competition, designed to eliminate competitors, is prohibited by the U.S. government.

ANS: T DIF: 2 REF: The Private Enterprise System
NAT: AACSB Analytic MSC: KN

22. Finding unique ways to use the factors of production is a common characteristic of most entrepreneurs.

ANS: T DIF: 2 REF: The Private Enterprise System
NAT: AACSB Reflective Thinking MSC: AP

23. Entrepreneurs are very conservative and usually invest only in sure winners.

ANS: F DIF: 1 REF: The Private Enterprise System
NAT: AACSB Reflective Thinking MSC: AP

24. During the Colonial period, the focus was on agriculture and other rural activities.

ANS: T DIF: 2 REF: Six Eras in the History of Business
NAT: AACSB Analytic MSC: KN

25. The Industrial Revolution began in Germany and quickly spread to the rest of Europe.

ANS: F DIF: 2 REF: Six Eras in the History of Business
NAT: AACSB Analytic MSC: KN

26. The Industrial Revolution began in the United States with the development of the automobile.

ANS: F DIF: 2 REF: Six Eras in the History of Business
NAT: AACSB Analytic MSC: KN

27. One factor that led to the Industrial Revolution was the mechanization of agriculture.

ANS: T DIF: 2 REF: Six Eras in the History of Business
NAT: AACSB Analytic MSC: KN

28. A key element of the production era was the use of consumer research.

ANS: F DIF: 2 REF: Six Eras in the History of Business
NAT: AACSB Analytic MSC: KN

29. The production era preceded the age of industrial entrepreneurs.

ANS: F DIF: 2 REF: Six Eras in the History of Business
NAT: AACSB Analytic MSC: KN

30. In consumer orientation, a company creates a product first, and then determines if the consumer will likely purchase the product.

ANS: F DIF: 2 REF: Six Eras in the History of Business
NAT: AACSB Reflective Thinking MSC: AP

31. The Nike swoosh is not considered a brand; only the company name can be a brand.

ANS: F DIF: 2 REF: Six Eras in the History of Business
NAT: AACSB Reflective Thinking MSC: AP

32. The current philosophy among managers today is best described as transaction management.

ANS: F DIF: 1 REF: Six Eras in the History of Business
NAT: AACSB Analytic MSC: KN

33. Information technology has been the key driver behind the relationship era.

ANS: T DIF: 1 REF: Six Eras in the History of Business
NAT: AACSB Technology MSC: KN

34. Technology has revolutionized business communications.

ANS: T DIF: 1 REF: Six Eras in the History of Business
NAT: AACSB Technology | AACSB Communication MSC: AP

35. Relationship management refers to ongoing, mutually beneficial ties between a company and its vendors.

ANS: F DIF: 2 REF: Six Eras in the History of Business
NAT: AACSB Technology MSC: AP

36. Technology can make some products obsolete.

ANS: T DIF: 1 REF: Six Eras in the History of Business
NAT: AACSB Technology MSC: KN

37. Relationship management concentrates on short-term interactions with customers.

ANS: F DIF: 1 REF: Six Eras in the History of Business
NAT: AACSB Analytic MSC: KN

38. The number of companies forming partnerships and strategic alliances has declined in recent years.

ANS: F DIF: 1 REF: Six Eras in the History of Business
NAT: AACSB Analytic MSC: KN

39. The use of web blogs as a link between companies and their customers is on the decline.

ANS: F DIF: 1 REF : Six Eras in the History of Business
NAT: AACSB Technology
MSC: KN

40. Assume Motorola and Microsoft work on developing a new cell phone that is also a PDA. This is an example of a strategic alliance.

ANS: T DIF: 2 REF: Six Eras in the History of Business

NAT: AACSB Reflective Thinking MSC: AP

41. The need to develop environmentally friendly products and processes is becoming a major new force in business today.

ANS: T DIF: 1 REF: Six Eras in the History of Business
NAT: AACSB Analytical
MSC: KN

42. A strategic alliance is a partnership formed to create competitive advantage for the businesses involved.

ANS: T DIF: 1 REF: Six Eras in the History of Business
NAT: AACSB Analytic MSC: KN

43. The needs of older workers are similar to those of younger workers.

ANS: F DIF: 1 REF: Today's Business Workforce
NAT: AACSB Reflective Thinking MSC: AP

44. Over the next few years, the average age of the workforce is expected to increase.

ANS: T DIF: 1 REF: Today's Business Workforce
NAT: AACSB Analytic MSC: KN

45. Although the number of college-educated workers has doubled in the last 20 years, the demand for workers is still greater than the supply.

ANS: T DIF: 2 REF: Today's Business Workforce
NAT: AACSB Analytic MSC: KN

46. Persons of Hispanic and Asian descent represent the fastest growing segments of the U.S. population.

ANS: T DIF: 1 REF: Today's Business Workforce
NAT: AACSB Analytic MSC: KN

47. Research indicates that work teams consisting of a diverse group of individuals are often more productive than less diverse work teams.

ANS: T DIF: 2 REF: Today's Business Workforce
NAT: AACSB Diversity MSC: KN

48. Even with advances in management and communications, manufacturing still accounts for most of the annual output in the U.S.

ANS: F DIF: 3 REF: Today's Business Workforce
NAT: AACSB Analytic MSC: KN

49. Outsourcing is the relocation of business activities to lower-cost locations overseas.

ANS: F DIF: 2 REF: Today's Business Workforce
NAT: AACSB Analytic MSC: KN

50. Today, workers are much less likely to remain with the same employer throughout their entire careers.

ANS: T DIF: 1 REF: Today's Business Workforce
NAT: AACSB Analytic MSC: KN

51. The new employer-employee relationship requires firms to establish rigid rules to govern employee activities.

ANS: F DIF: 2 REF: Today's Business Workforce
NAT: AACSB Analytic MSC: KN

52. The managerial quality of vision is the ability to see all of the problems that might occur.

ANS: F DIF: 2 REF: The 21st-Century Manager
NAT: AACSB Analytic MSC: KN

53. Critical thinking skills and creativity are essential qualities for today's managers.

ANS: T DIF: 1 REF: The 21st-Century Manager
NAT: AACSB Analytic MSC: KN

54. Critical thinking is the ability to analyze and assess information to pinpoint problems and opportunities.

ANS: T DIF: 2 REF: The 21st-Century Manager
NAT: AACSB Analytic MSC: KN

55. Creativity is the capacity to develop well-tested solutions to common organizational problems.

ANS: F DIF: 2 REF: The 21st-Century Manager
NAT: AACSB Analytic MSC: KN

56. A manager's only obligation is to create an environment for creativity and critical thinking. The implementation of those ideas is carried out by other departments.

ANS: F DIF: 2 REF: The 21st-Century Manager
NAT: AACSB Reflective Thinking MSC: AP

57. Mental exercises like brainstorming often foster creativity.

ANS: T DIF: 1 REF: The 21st-Century Manager
NAT: AACSB Analytic MSC: KN

58. Decreased consumer loyalty is an example of an external force that requires change.

ANS: T DIF: 2 REF: The 21st-Century Manager
NAT: AACSB Reflective Thinking MSC: AP

59. Business ethics deal with the right versus wrong actions that arise in a work environment.

ANS: T DIF: 1 REF: What Makes a Company Admired ?
NAT: AACSB Ethics MSC: KN

60. The most important factor for determining whether or not a company is admired is profitability.

ANS: F DIF: 1
NAT: AACSB Ethics

REF: What Makes a Company Admired?
MSC: AP

61. By supporting local charities, a firm is demonstrating social responsibility.

ANS: T DIF: 1
NAT: AACSB Ethics

REF: What Makes a Company Admired?
MSC: AP