

*Test Bank for Better Business 7th
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Better Business, 7e (Solomon)

Chapter 1 Business Basics (Part 1: Looking at the Business Environment)

1) Which of the following occurs when a company's revenue is greater than its expenses?

- A) The company earns a profit.
- B) The company spends more than it earns.
- C) The company's income is decreasing.
- D) The company needs to increase its spending.
- E) The company must increase its productivity.

Answer: A

Explanation: A company earns a profit when it takes in more revenue (earnings) than it spends. If a company spends more than it earns, it does not make a profit. Instead, it suffers a loss. A company can make a profit even if its income is decreasing, as long as its earnings continue to exceed its expenses. A profitable company may or may not need to increase its spending, depending on its business goals.

Diff: 1

AACSB: Reflective Thinking

LO: 1.1: Define business and list the factors of production.

Classification: Concept

2) What category does car insurance fall under?

- A) Good
- B) Service
- C) Capital
- D) Entrepreneurial talent
- E) Technology

Answer: B

Explanation: Insurance is an intangible product so it is considered a service.

Diff: 1

AACSB: Reflective Thinking

LO: 1.1: Define business and list the factors of production.

Classification: Concept

3) Emma bought a tablet and a smartphone. These products are called goods because they _____.

- A) do a good job of satisfying a customer's needs
- B) are physical and tangible products
- C) are produced in an economical offshore factory
- D) can be sold either in a store or online
- E) are good at increasing a company's profit margin

Answer: B

Explanation: Goods are physical or tangible products offered by a business. Goods are typically produced in a factory, but not in any particular location. It is true that goods can be sold either in a store or online, or by other means, such as direct marketing. However, other business offerings, such as services, can also be sold in a store or online.

Diff: 1

AACSB: Reflective Thinking

LO: 1.1: Define business and list the factors of production.

Classification: Application

4) Jose called an electrician to repair some home appliances. Which of the following terms BEST describes the electrician's repairs?

- A) A service
- B) A good
- C) Capital
- D) Intellectual property
- E) Technology

Answer: A

Explanation: An electrical repair is an example of a nontangible business product called a *service*. An electrical repair is not a good, which is a tangible physical product.

Diff: 1

AACSB: Reflective Thinking

LO: 1.1: Define business and list the factors of production.

Classification: Application

5) Some companies offer products that are both goods and services. Which of the following is an example of a company that offers products that are both goods and services?

- A) A manufacturing plant
- B) A green technology company
- C) A university
- D) A parts supplier
- E) A restaurant

Answer: E

Explanation: Some companies offer products that are both goods and services. Take, for example, a restaurant franchise. When you order food, you're paying for the goods (the food) as well as the service of preparing, cooking, and serving the food.

Diff: 2

AACSB: Application of Knowledge

LO: 1.1: Define business and list the factors of production.

Classification: Application

6) What do profits allow a company to do?

- A) Increase productivity
- B) Lower employee wages
- C) Control expenses
- D) Eliminate factors of production
- E) Eliminate competitors

Answer: A

Explanation: Profits allow a company to reward employees, increase productivity, and expand into new areas. To maintain productivity, a company would need to remain concerned about controlling expenses, and maintain or increase employee wages.

Diff: 2

AACSB: Reflective Thinking

LO: 1.1: Define business and list the factors of production.

Classification: Concept

7) Nina's furniture store has had a successful year and made a significant profit. Which of the following actions using Nina's store profits would BEST increase productivity?

- A) Pay for utilities and inventory in advance.
- B) Develop a website that would enable customers to shop and place orders online.
- C) Hire more staff.
- D) Create an emergency fund.
- E) Service her community through social and educational means.

Answer: B

Explanation: A website with an online shopping function would increase productivity by generating sales without requiring additional staff time. It might also provide more options for customers, since the online store could carry more items than could be viewed in the store.

Diff: 3

AACSB: Analytical Thinking

LO: 1.1: Define business and list the factors of production.

Classification: Application

8) Which of the following describes how profits are used in a nonprofit organization?

- A) To increase income for owners
- B) To generate income in the economy
- C) To expand social and community services
- D) To reduce labor costs by investing in automation
- E) To reward stakeholders

Answer: C

Explanation: Nonprofit organizations do not go into business to pursue profits for their owners. Instead, a nonprofit organization seeks to serve its community through social, educational, or political means. Any profits they generate are used to further the organizations' causes by expanding the services they provide.

Diff: 2

AACSB: Application of Knowledge

LO: 1.1: Define business and list the factors of production.

Classification: Concept

9) Which of the following include all the various resources used to create a company's goods and services?

- A) Raw materials
- B) Factors of production
- C) Supplies
- D) Inventory
- E) Intellectual property

Answer: B

Explanation: Factors of production are the resources used to produce goods and services. They include six factors: labor, natural resources, capital, entrepreneurial talent, technology, and intellectual property. Raw materials, supplies, inventory, and intellectual property might be included in the natural resources factor, but do not encompass all the resources needed for production.

Diff: 1

AACSB: Reflective Thinking

LO: 1.1: Define business and list the factors of production.

Classification: Concept

10) Which sector has become dominant in today's U.S. economy?

- A) Services
- B) Agriculture
- C) Manufacturing
- D) Government
- E) Nonprofit

Answer: A

Explanation: Historically, the United States has produced goods: first primarily through agriculture and then later moving to a strong manufacturing base that centered on producing goods. Today, that has diminished, and the service sector is dominating.

Diff: 2

AACSB: Application of Knowledge

LO: 1.1: Define business and list the factors of production.

Classification: Concept

11) Which of the following is an example of real capital?

- A) A business loan
- B) Computer software
- C) Natural gas
- D) A manufacturing plant
- E) Personal savings

Answer: D

Explanation: Real capital refers to the physical facilities used to produce goods and services. Thus, a manufacturing plant would be an example of a business's real capital. Computer software is an example of the technology factor of production. Natural gas is an example of the natural resources factor of production. Business loans and personal savings are examples of capital, but of financial capital rather than real capital.

Diff: 2

AACSB: Application of Knowledge

LO: 1.1: Define business and list the factors of production.

Classification: Application

12) Nonprofits differ from for-profit businesses because they _____.

- A) only sell goods
- B) do not pursue profits for owners
- C) are owned by the government
- D) avoid using any capital
- E) only employ volunteer workers

Answer: B

Explanation: Nonprofit organizations do not pursue profits for their owners but seek to serve their community.

Diff: 2

AACSB: Reflective Thinking

LO: 1.1: Define business and list the factors of production.

Classification: Application

13) Griffin wants to provide all his employees with laptops and cell phones so they can more effectively work from home. Which factors of production is Griffin going to use to make this upgrade?

- A) Financial capital
- B) Intellectual property
- C) Real capital
- D) Labor
- E) Technology

Answer: E

Explanation: Technology refers to goods and services such as computers, smartphones, software, and digital broadcasting that make businesses more efficient and productive.

Diff: 2

AACSB: Reflective Thinking

LO: 1.1: Define business and list the factors of production.

Classification: Application

14) Melinda is a store owner who buys items online to sell in the shop. Which of the following factors of production is BEST illustrated in Melinda's use of the Internet?

- A) Capital
- B) Labor
- C) Technology
- D) Financial capital
- E) Natural resources

Answer: C

Explanation: Technology refers to items and services such as smartphones, computer software, and digital broadcasting that make businesses more efficient. Melinda's use of the Internet for purchasing store inventory reflects the use of technology. Since Melinda makes the purchases personally, labor is not a factor. Capital may be involved in the purchase, but that would be true of any purchase, not specifically online purchases.

Diff: 1

AACSB: Reflective Thinking

LO: 1.1: Define business and list the factors of production.

Classification: Application

15) Chiara's company hires single women mothers to make jewelry, which is then sold to national retailers at a 200 percent profit. With the profits the company makes, Chiara hires and trains more single mothers and helps all the employees finish their high school education. Which of the following BEST describes Chiara's business structure?

- A) It is a service organization.
- B) It has low labor costs.
- C) It is a nonprofit.
- D) It relies heavily on real capital.
- E) It has a limited use of technology.

Answer: C

Explanation: Nonprofit organizations do not go into business to pursue profits for their owners. Instead, a nonprofit organization seeks to serve its community through social, educational, or political means. Organizations such as universities, hospitals, environmental groups, and charities are examples of nonprofit organizations. Any profits they generate are used to further the organizations' causes by expanding the services they provide.

Diff: 2

AACSB: Application of Knowledge

LO: 1.1: Define business and list the factors of production.

Classification: Application

16) What is the collection of ideas and knowledge people contribute to a business's production?

- A) Natural resources
- B) Social networking
- C) Specialization
- D) Real capital
- E) Intellectual work

Answer: E

Explanation: Labor is a human resource that refers to any physical work or intellectual work (ideas and knowledge) people contribute to a business's production.

Diff: 2

AACSB: Application of Knowledge

LO: 1.1: Define business and list the factors of production.

Classification: Application

17) What defines a business?

- A) An entity focused on entertainment
- B) An entity that offers products to earn a profit
- C) Any group of people working together
- D) Any organization that sells anything
- E) A government-run organization

Answer: B

Explanation: A business is described as an entity that offers products (goods or services) to earn a profit. Profit is obtained when revenue exceeds expenses.

Diff: 2

AACSB: Application of Knowledge

LO: 1.1: Define business and list the factors of production.

Classification: Application

18) Intellectual property consists of privately owned, intangible assets developed as a result of people's intellect and creativity.

Answer: TRUE

Explanation: Examples of intellectual property include patents, copyrights, and trademarks. These allow businesses to limit competition by preventing unauthorized use of the intellectual property.

Diff: 1

AACSB: Reflective Thinking

LO: 1.1: Define business and list the factors of production.

Classification: Concept

19) When a business is profitable, the whole society benefits because of the increase in spending and income in the economy.

Answer: TRUE

Explanation: When a business earns profits, many people benefit. Owners benefit, as do employees who may benefit from bonuses or pay increases. Society as a whole benefits from the employment opportunities the business provides, as well as the spending and income it generates in the economy.

Diff: 2

AACSB: Reflective Thinking

LO: 1.1: Define business and list the factors of production.

Classification: Concept

20) Businesses are entities that offer products to their customers to earn a profit.

Answer: TRUE

Explanation: Businesses are entities that offer products to their customers to earn a profit. A profit is earned when a company's revenue (the money it brings in) is greater than its expenses (the money it pays out). When expenses exceed revenue, the company posts a loss.

Diff: 1

AACSB: Reflective Thinking

LO: 1.1: Define business and list the factors of production.

Classification: Application

21) Not all businesses provide a product.

Answer: FALSE

Explanation: All businesses provide a product. Some businesses offer physical products, which are referred to as *goods*. Other businesses offer nontangible products, called *services*.

Diff: 2

AACSB: Application of Knowledge

LO: 1.1: Define business and list the factors of production.

Classification: Concept

22) A Pizza Hut pizza served in a restaurant is an example of a good.

Answer: FALSE

Explanation: A Pizza Hut pizza is both a good (the pizza) and a service (the preparation and serving of the pizza).

Diff: 2

AACSB: Application of Knowledge

LO: 1.1: Define business and list the factors of production.

Classification: Application

23) Any profits generated by a nonprofit organization must be turned over to the government.

Answer: FALSE

Explanation: Not-for-profit organizations seek to service their communities through social, educational, or political means. Any profits they generate are used to further their causes by expanding the services they provide.

Diff: 1

AACSB: Reflective Thinking

LO: 1.1: Define business and list the factors of production.

Classification: Concept

24) Natural resources are the raw materials provided by nature that are used to produce goods and services.

Answer: TRUE

Explanation: Natural resources are the raw materials provided by nature that are used to produce goods and services. Soil used in agricultural production; trees used for lumber to build houses; and coal, oil, and natural gas used to create energy are all examples of natural resources.

Diff: 1

AACSB: Reflective Thinking

LO: 1.1: Define business and list the factors of production.

Classification: Concept

25) Real capital refers to the money used to facilitate a business enterprise.

Answer: FALSE

Explanation: Real capital refers to the physical facilities, such as a manufacturing plant, used to produce goods and services. The money used to facilitate a business' operations is referred to as financial capital.

Diff: 2

AACSB: Reflective Thinking

LO: 1.1: Define business and list the factors of production.

Classification: Concept

26) In what ways is a multinational corporation, like Pinterest, similar to a local business, such as a Chinese restaurant? In what ways are these two businesses different?

Answer: Both Pinterest and a local Chinese restaurant are businesses—entities that offer goods and services to their customers to earn a profit. Pinterest and the Chinese restaurant are different in that one is an innovative online business that attracts millions of visitors, while the other is a small town establishment with a smaller local customer base.

Diff: 3

AACSB: Analytical Thinking

LO: 1.1: Define business and list the factors of production.

Classification: Application

27) What do businesses generally do with profits?

Answer: As more profit is generated, a company generally opts to use some portion of its profits to reward its employees, increase its productivity, or expand its business into new areas.

Diff: 2

AACSB: Reflective Thinking

LO: 1.1: Define business and list the factors of production.

Classification: Concept

28) What is the difference between real capital and financial capital?

Answer: There are two types of capital: real capital and financial capital. Real capital refers to the physical facilities used to produce goods and services, such as office buildings, equipment, and factories. Financial capital refers to money used to facilitate a business enterprise. Financial capital can be acquired via business loans, from investors, through other forms of fund-raising, or by tapping into one's personal savings.

Diff: 2

AACSB: Reflective Thinking

LO: 1.1: Define business and list the factors of production.

Classification: Concept

29) Grace loves working with children and plans to start a school for children with disabilities. She would like to invest at least some of the money she makes after expenses back into the school. Discuss the advantages and disadvantages of forming the school as a for-profit and as a nonprofit organization.

Answer: A nonprofit organization would be the most common structure for an enterprise whose primary mission is to provide educational services to the community. If Grace plans to use all excess revenues from the school on activities that support the school's mission, her best option is to form a nonprofit organization. However, there are some schools that seek to provide high-quality educational services while still making a profit for their ownership. Grace might consider whether she can accomplish her mission of serving children with disabilities within a for-profit business. A for-profit business structure would allow Grace's school to earn a profit that Grace could use for any purpose she chose. However, given Grace's emphasis on serving children with disabilities, it is likely that the best choice for her would be to form a nonprofit organization.

Diff: 3

AACSB: Reflective Thinking

LO: 1.1: Define business and list the factors of production.

Classification: Application

30) Ron plans to open his own café. He wants to offer a variety of coffees, sandwiches, and salads. He also plans to hire employees who will prepare food and serve customers. What type of product would Ron's customers be buying?

Answer: Ron's customers would be paying for both physical *goods*, that is, the food items Ron would offer, and nonphysical *services*, that is, the preparation and serving of the food items.

Diff: 2

AACSB: Reflective Thinking

LO: 1.1: Define business and list the factors of production.

Classification: Application

31) Identify and describe four of the six factors of production.

Answer:

- 1) Labor. Businesses need people to get things produced. Labor is the human resource that refers to any physical or intellectual work people contribute to a business's production.
- 2) Natural resources. Most workers who provide the labor to produce a good need something tangible to work with. Natural resources are the raw materials provided by nature that are used to produce goods and services.
- 3) Capital. There are two types of capital: real capital and financial capital. Real capital essentially refers to the physical facilities used to produce goods and services. Financial capital is money used to facilitate a business enterprise.
- 4) Entrepreneurial talent. An entrepreneur is someone who assumes the risk of creating, organizing, and operating a business and directs all the business resources. Entrepreneurs are a human resource, just like labor, but what sets entrepreneurs apart from labor is not only their willingness to bear risks but also their ability to manage an enterprise effectively.
- 5) Intellectual property. This consists of privately owned, intangible assets developed as a result of people's intellect and creativity. Drug patents, copyrights to songs, and trademarks for products are examples.
- 6) Technology. Technology refers to items and services such as smartphones, computer software, and digital broadcasting that make businesses more efficient and productive.

Diff: 2

AACSB: Reflective Thinking

LO: 1.1: Define business and list the factors of production.

Classification: Concept

32) Why is technology such an important factor of production?

Answer: Effective use of technology can make the difference between a successful and an unsuccessful business. Successful companies are able to keep pace with technological progress and harness new knowledge, information, and strategies. Unsuccessful organizations often fail because they have not kept pace with the latest technology and techniques.

Diff: 2

AACSB: Reflective Thinking

LO: 1.1: Define business and list the factors of production.

Classification: Concept

33) How does society benefit from successful businesses?

Answer: A successful business benefits society by providing the goods and the services consumers need and want. Businesses also provide employment opportunities for members of the community. Because they offer desired goods and services, provide employment, and generate income and spending in the economy, successful businesses contribute to the quality of people's lives by creating higher standards of living for society.

Diff: 2

AACSB: Reflective Thinking

LO: 1.1: Define business and list the factors of production.

Classification: Concept

34) What is an entrepreneur and how are they rewarded?

Answer: An entrepreneur is someone who assumes the risk of creating, organizing, and operating a business and directs all of a business's resources. Entrepreneurs are a human resource, just like labor, but what sets them apart from labor is not only their willingness to bear risks but also their ability to creatively address needs in a market that are not being met. For successfully doing so, entrepreneurs are rewarded with profits from the businesses.

Diff: 2

AACSB: Reflective Thinking

LO: 1.1: Define business and list the factors of production.

Classification: Concept

35) What is a fundamental force in a market-based economy like the United States?

A) Government regulation

B) Competition

C) Subsidies

D) Socialism

E) Trade restrictions

Answer: B

Explanation: Competition is a basic driver in market-based economies, promoting better goods/services and benefiting consumers.

Diff: 2

AACSB: Application of Knowledge

LO: 1.2: Explain how competition, the social environment, globalization, and technological changes challenge and provide opportunities to business owners.

Classification: Concept

36) Which of the following is an outcome of business competition?

A) A wider variety of goods and services

B) Unregulated quality goods and services

C) Limited variety of goods and services

D) Higher priced goods and services

E) Decreased global satisfaction

Answer: A

Explanation: Competition arises when two or more businesses vie with one another to attract customers and gain an advantage. The private enterprise system in the United States is predicated on the fact that competition benefits consumers because it motivates businesses to produce a wider variety of better and less expensive goods and services.

Diff: 2

AACSB: Application of Knowledge

LO: 1.2: Explain how competition, the social environment, globalization, and technological changes challenge and provide opportunities to business owners.

Classification: Concept

CHAPTER 1: BUSINESS BASICS

CHAPTER OPENER

Many students come to an introduction to business class not quite sure about what's in it for them. However, the course has something for everyone, from those who have been in the business world a while to those without any experience at all. As the book unfolds, students will develop an understanding of the foundations of business and will be able to apply what they already know about business to many parts of the course.

This first chapter dives right into the world of business:

- explaining the differences between goods and services
- differentiating between for-profit businesses and not-for-profit organizations
- identifying and describing the factors of production

Next, the chapter covers the ways in which competition, the social environment, globalization, and technological growth both challenge and provide opportunities to business owners. Students will then be introduced to different types of businesses in terms of their scope. Finally, the chapter will make the vital connection between their current life skills and the business environment.

STUDENT LEARNING OUTCOMES

- 1-1** Define business and list the factors of production.
- 1-2** Explain how competition, the social environment, globalization, and technological changes challenge and provide opportunities to business owners.
- 1-3** Describe the four types of businesses.
- 1-4** Explain how life skills translate to the business environment.

DETAILED LECTURE OUTLINE

I. The Business Landscape – Define *Business* and List the Factors of Production.

A. Business Defined

1. What exactly is a business?
 - a. **Businesses** are entities that offer products and services to their customers in order to earn a profit.
 - b. A **profit** is earned when a company's **revenue** (the money it brings in) exceeds its **expenses** (the money it pays out).
 - c. When expenses exceed revenue, the company posts a *loss*.
2. What kinds of products do businesses offer?
 - a. Products can be either a *good* or a *service*.
 - b. **Goods** are physical products a business sells.
 - c. A **service** is an intangible product that is bought or sold.
 - d. Some companies (such as restaurants) offer products that are both goods *and* services.
 - e. Countries change over time in whether goods or services dominate their economic system.
3. What do businesses do with their profits?
 - a. As profits are generated, a company can reward its employees, increase its productivity, or expand its business.
 - b. A successful business benefits both the owner and society because they offer desired goods and services, provide employment, and generate income and spending in the economy.
4. What about nonprofits?
 - a. **Nonprofit organizations** do not pursue profits for its owners, but instead seek to service the community through social, educational, or political means.
 - b. Profits are used to further the organization's causes by expanding the services they provide.

B. The Factors of Production

1. What do businesses use to create the products they sell?
 - a. The **factors of production** are the resources used to create goods and services. These are as follows:
 - i. **Labor** refers to any physical or intellectual work (ideas and knowledge) that people contribute to a business's production.
 - ii. **Natural resources** are raw materials provided by nature that are used to produce goods and services.
 - iii. **Capital**, both *real* and *financial*:
 - a. **Real capital** refers to the physical facilities used to produce goods and services.
 - b. **Financial capital** refers to money used to facilitate a business enterprise.
 - iv. **Entrepreneurial talent**:
 - a. An **entrepreneur** assumes the risk of creating, organizing, and operating a business and directs all of a business's resources.

- v. **Intellectual property** consists of privately owned, intangible assets developed as a result of people's intellect and creativity.
 - a. Examples include patents, copyrights, and trademarks.
- vi. **Technology** refers to goods and services such as computers and software that make businesses more efficient and productive.

II. Common Business Challenges and Opportunities – Explain How Competition, the Social Environment, Globalization, and Technological Changes Challenge and Provide Opportunities to Business Owners.

A. Competition

1. How does competition influence business?
 - a. **Competition** arises when two or more businesses vie to attract customers and gain an advantage.
 - b. Competition forces companies to improve their product offerings, lower their prices, promote their brands, and focus on customer satisfaction.
 - i. It weeds out less efficient companies and less desirable products from the marketplace.
2. How do successful businesses react to changes in their customers' needs?
 - a. Companies need to deliver customer satisfaction and understand their markets and rapidly adjust as needed.
3. Are social networking sites good for business?
 - a. **Social networking sites** are websites that make it easier for people to connect with one another online for the purposes of building and supporting social relationships.
 - b. Companies are increasingly using social networking to connect to their customers, promote their products, offer discounts, and build relationships.
4. How should a competitive business treat their employees?
 - a. It is also essential to empower workers to feel free to deal with customer needs by giving them greater decision-making responsibilities.

B. Social Environment

1. How does the social environment affect business?
 - a. A **social environment** is an interconnected system of demographic factors such as race, ethnicity, gender, age, income distribution, sexual orientation, and other characteristics.
 - b. Three specific issues surrounding the social environment present potential challenges and opportunities for today's businesses.
2. An older population (See Figure 1.1)
 - i. In 2050, there will be more than 80 million Americans aged 66 or older.
 - ii. The aging U.S. population presents opportunities for businesses, but it also presents challenges for the U.S. economy.
 - iii. Potential problems include funding entitlement programs such as Social Security and Medicare.

- iv. Caring for the needs of an older population presents growth opportunities for businesses, especially retirement centers, healthcare, pharmaceutical companies, and the travel industry.
- 3. Increasing workforce diversity
 - a. By 2055, no single group will represent over 50 percent of the population.
 - b. Companies must develop diversity initiatives such as nondiscrimination policies, a minority network, or diversity education to manage, retain, and promote a diverse workforce.
 - c. The term *diversity* applies to more than just people of different ethnicities.
 - i.) Today, the term diversity might represent gender, culture, religion, sexual orientation, or disability, and all groups must be treated fairly.
- 4. Environmental sustainability
 - a. Anxieties about global warming and climate change have motivated businesses to become involved in a **green economy**—one that factors ecological concerns into business decisions.
 - i.) The demand for more green products presents new opportunities for entrepreneurs to meet those needs.
 - ii.) “Green-collar” jobs can revitalize large swaths of the U.S. manufacturing economy.
 - b. What social issues will impact your career?
 - i.) Because workers are increasingly retiring at later ages, the competition for certain jobs and career advancement might be fiercer than in the years past.
 - ii.) Jobs aimed at responding to the needs of the growing green economy will also likely present new opportunities for job seekers.
- 5. Globalization
 - a.) How has globalization affected business?
 - b.) **Multinational enterprises**—companies that have operations in more than one country—are among the leaders of a movement called globalization.
 - c.) **Globalization** is a movement toward a more interconnected and interdependent world economy.
 - i. Economies around the world are merging as technology, goods and services, labor, and capital move back and forth more easily across international borders.
 - ii. A growing number of companies are **offshoring**—relocating their production facilities overseas or subcontracting components to foreign companies to achieve lower manufacturing costs.
 - iii. Globalization presents both benefits and risks to the U.S. economy.
 - a. Lowered production costs allow firms to lower the cost of products for consumers, yet people remain concerned about workers in the United States who lose their jobs to workers overseas.
 - iv. Globalization poses other risks for U.S. companies, including:

- a. Increased competition from international companies
- b. Fluctuations in the value of the U.S. dollar
- c. Security and patent protection concerns
- d. Unstable political climates in foreign countries

6. Technological Changes

- a. Why does the pace of technological change present challenges to businesses today?
 - i. Companies must stay on the cutting edge of technology to remain competitive, and that is an expensive and time-consuming operation.
 - ii. Advancements in technology are completely changing the foundation and focus of how many businesses are run.
- b. What benefits does technology provide to business?
 - i. Technology, when used and implemented effectively, can help streamline businesses and cut costs.
 - ii. Companies can also use new technology systems to increase productivity.
 - iii. Technology makes it possible for employees to **telecommute** or work from home or another location away from the office.
- c. What role does the Internet play in technological growth? (See Figure 1.2)
- d. What types of e-commerce are popular?
 - i. **E-commerce** consists of three different kinds of business trade: *business-to-consumer (B2C)*, *business-to-business (B2B)*, and *consumer-to-consumer (C2C)*.
 - a. B2C interactions take place between a business and a consumer.
 - b. B2B interactions involve the sale of goods and services from one business to another.
 - c. C2C transactions have become possible through consumer-driven storefronts where individuals offer goods directly for sale to customers.
 - ii. E-commerce has been growing rapidly since the new millennium, and e-commerce will continue to be a driving force in the economy.
- e. Do security issues impact online businesses?
 - i. Widespread access to information that the Internet affords affects businesses in a variety of ways.
 - ii. As the number of people and businesses who trade and store personal information online rises, so does the number of people who are victims of **identity theft**—the illegal gain and use of personal information.
- f. How is privacy a challenge for online businesses? (See Figure 1.3)
 - i. E-mails, internal documents, and chat transcripts all contain private information that is not intended for public viewing, but many of these documents can be accessed online because of online storage in the “cloud.”
 - ii. With this universal access, it is increasingly difficult to ensure that information remains private.

III. Types of Businesses – Describe the Four Types of Businesses.

A. What's the difference between a small business and a large corporation? What about everything in between?

- a. A small business has different goals and challenges than a large corporation.
- b. Small businesses, such as a local dry cleaner, often provide limited goods or services to a small population.
- c. A large multinational corporation, such as Johnson & Johnson, supplies a wide range of goods or services to many customers worldwide.
- d. A local or regional business has different needs and concerns.

B. Local and Regional Businesses

1. What defines local or regional businesses?
 - a. A **local business** is usually one of a kind and relies on local consumers to generate business.
 - b. **Regional businesses** serve a wider area than local businesses but do not serve national or international markets.
2. What special challenges do local and regional businesses face?
 - a. The most common challenge is managing money. Poor financial planning and unfavorable economic conditions can lead to bankruptcy.
 - b. **Undercapitalization** occurs when a business owner cannot gain access to adequate funding.
 - c. Business owners also have to take taxes and insurance costs into consideration, such as health insurance and liability insurance.

C. National Businesses

1. What defines national businesses in the United States?
 - a. A **national business** serves the country and provides goods and services to virtually all the U.S. residents.
 - b. National businesses do not serve an international market.
2. What special challenges do national companies face?
 - a. Because laws vary from state to state, national companies must be aware of state laws in every state where they do business.
 - b. National companies also face a longer, more complex **supply chain**—the flow by which products, information, and money move between a supplier and a consumer. (See Figure 1.4)

D. Multinational (International) Businesses

1. What categorizes a company as multinational (or international)?
 - a. *Multinational businesses* make and/or sell products in several countries.
 - b. They provide goods or services to international consumers or serve only one country but have suppliers or production facilities in other countries.
2. What special challenges do multinational corporations face?
 - a. Multinational corporations must be familiar and comply with the laws of the countries in which they operate.
 - b. Cultural differences such as language barriers, values, and customs relating to business etiquette also have an impact.

- c. Multinational companies also must contend with economic differences, such as different levels of economic development, interest rates, and inflation rates.

IV. Taking Business Personally – Explain How Life Skills Translate to the Business Environment.

A. Life Skills for Business

1. How do you receive funding?
 - a. You're receiving money from somewhere, such as from work, a family member, a student loan, or savings.
2. What are your expenses?
 - a. Expenses such as rent, clothing, food, and tuition must be paid for with cash, credit, or a loan.
3. How does the social environment affect your life?
 - a. This includes learning from people who are different from you, embracing diversity, and finding ways to make your lifestyle more eco-friendly.
4. How does globalization affect your life?
 - a. You purchase items designed and/or manufactured in other countries.
 - b. As globalization continues, the chances that you will work in a foreign country for part of your career continue to climb.
5. How do you keep up with new technology?
 - a. Whether or not you consider yourself to be tech-savvy, chances are that you still use some sort of technology to run your life.
6. What sort of e-commerce do you use?
 - a. You may purchase items online or sell things on sites such as eBay.
7. How do you keep your business secure?
 - a. You help keep your information secure by changing online passwords regularly, making sure that your wireless connections are secure, and removing personal information from social networking sites.
8. What types of financial goals do you have?
 - a. To reach your financial goals, you need to make informed decisions about how you spend and save your money.

NOTE: End the lecture by asking students to write down the muddiest points or main points of the lecture. This will allow you to know what might need to be reviewed during the next lecture.

Influencers – BIZ CHAT

What would you need to know to increase your viewing audience? How should you decide if you need to hire a support team? The strategies and skills you need to make a significant profit as an influencer are the same as those that apply to any new business.

Answers will vary. However, the point of the exercise is to stress the dynamic nature of business and competition. Students will have to research potential products, consider the

competition from current influencers and whether a potential product will generate sufficient interest and profit.

Learning Objective 1-2: Common Business Challenges and Opportunities
AACSB: Integration of real-world experiences

ANSWERS TO END-OF-CHAPTER MATERIALS

Team Time

The Competitive Edge

Answers will vary. However, the point of the exercise is to stress the dynamic nature of competition. Those companies that are responsive to consumer demands and offer a unique and distinct high-quality product at a reasonable price will win more market share and earn higher profits. Another key to business success is to foster good customer relations and repeat business by remaining responsive to changing customer demands and anticipating customer desires before they are expressed.

Learning Objective 1-2: Common Business Challenges and Opportunities

AACSB: Application of knowledge

Ethics and Corporate Social Responsibility

Cultural Awareness: Unwritten Laws

Answers will vary. However, it is important for multinational companies to research the values and customs of a foreign country with whom they intend to conduct business because the best-laid business plans can go awry if foreign cultural sensitivities are offended. Some of the important cultural factors include language, educational levels, gender relationships, etiquette, and religious values, as well as attitudes toward cooperation between management and labor and toward work in general.

Learning Objective 1-2: Common Business Challenges and Opportunities

AACSB: Diverse and multicultural work environments

SUPPLEMENTAL ACTIVITIES

Supplemental In-Class Activity: Ice Breaker

What Do You Know About Business?

Activity Overview: This activity helps students assess their level of knowledge about business and set their own learning goals for the class.

Time Limit: 20 minutes

Learning Objective 1-1: The Business Landscape

AACSB: Diverse and multicultural work environments

What to Do:

1. Ask each student to take out a piece of paper and divide it into two columns. In the first column, students should write the most important four or five things they currently know about business, and in the second column, the four or five things

- they would like to learn. If they are having difficulty coming up with items to list, tell them to take a look at the table of contents of the text. It will give them some clues so that they don't feel frustrated when completing this task. (5 minutes)
2. Divide students into groups of three to five people and ask them to share their lists with one another. As they listen, they can delete or add anything that seems relevant. (5 minutes)
 3. Ask them to switch groups so that they are with all new people, and repeat the process of sharing their lists. (5 minutes)
 4. Ask the students to switch to a third group of all new people. With this group, the goal is to synthesize their lists into one big idea of what they know and one big idea of what they want to learn. (5 minutes)

Don't Forget: This activity allows students to get to know one another as well as set expectations for the course. The underlying agenda is to get them talking to one another, setting the stage for active participation throughout the class.

Wrap-Up: Wrap up the discussion by having each group report back to the class. You may want to record their responses and post them in the room for reference as you move through the course.

Supplemental In-Class Activity 1

Structuring Businesses by Industry

Learning Objective 1-3: Types of Businesses

AACSB: Application of knowledge

Activity Overview: This activity gives students an understanding about how various legal structures can help more in some businesses than others.

Time Limit: 10–15 minutes

What to Do: Set up student teams of three to four each. Have them select an *industry* (not a business) that is well-known locally. Have the team determine which legal structure or ownership would be best for a company starting out in that industry and explain why.

Don't Forget: Make sure that the industries are varied to allow for different structures that might be the best.

Wrap-Up: Ask the students what they learned.

Supplemental Homework Activity 2

Interview a Manager

Learning Objective 1-1: The Business Landscape
AACSB: Application of knowledge

Homework Assignment: Students are asked to interview a business owner or senior manager, finding out how demand and supply affect the business, what essential factors of production are most important, and the impact of economic indicators on the business.

Deliverable: A brief paper detailing the outcome of the interview. Answers will vary, but students should recognize that demand and supply affect every business in some way. Typical factors of production cited in this answer include capital, labor, physical resources, information resources, and entrepreneurship. Economic indicators affect businesses differently at different times, depending on whether they are manufacturers or retailers. Ultimately, price increases in an industry will affect the buying power of consumers, which will affect how much is produced and purchased.

At-Home Completion Time: 1–2 hours.

ENHANCING THE ONLINE COURSE

Business Biography: Ask the students to consider the role of business in their lives. Have them write a two-paragraph business biography that highlights their own background, but with a connection to the business world (such as “my uncle owned a hardware store”). Ask students to post these on the discussion page as they would their typical biographies at the beginning of the semester. (Learning Objective 1-1: The Business Landscape AACSB: Application of knowledge)

Profit vs. Nonprofit: Ask the students to develop a visual using open-source graphics to depict the differences between profit and nonprofit organizations as well as goods and services. Have students post their “illustrations” of these concepts on the discussion board. (Learning Objective 1-1: The Business Landscape AACSB: Application of knowledge)

Mindmap: Ask the students to create an online “mindmap” (a chart with connected “branches”) using the graphics tools on the computer. This mindmap would depict the factors of production as they relate to business. Ask your students to write a paragraph describing how all the branches contribute to the business and post these on the discussion board or post them as graded assignments. (Learning Objective 1-1: The Business Landscape AACSB: Application of knowledge)

Podcast: Create a short discussion on the topic of types of businesses. Record it using the microphone on your computer. You can create a podcast of the mini lecture using the RSS link that is usually one of the features in an online environment. (Learning Objective 1-3: Types of Businesses AACSB: Application of knowledge)