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

**MATCHING**

*Complete questions 1–12 using the terms listed in a–l.*

1. outsourcing
2. diversity
3. entrepreneur
4. competitive differentiation
5. private property
6. capital
7. vision
8. factors of production
9. brand
10. relationship era
11. not-for-profit organizations
12. business ethics

1. \_\_\_\_\_ are businesslike establishments that have primary objectives other than returning profits to their owners.

Answer: k

Section Reference: What Is Business?

Difficulty: Easy

Objective: 1.1

Objective Text: Define the term *business*.

Bloom’s Level: Knowledge

AACSB: Analytic

2. \_\_\_\_\_ refers to technology, tools, information, and physical facilities.

Answer: f

Section Reference: Factors of Production

Difficulty: Easy

Objective: 1.2

Objective Text: Identify and describe the factors of production.

Bloom’s Level: Knowledge

AACSB: Analytic

3. \_\_\_\_\_ involves blending different genders, ethnic backgrounds, cultures, religions, ages, and physical and mental abilities in order to enhance a firm’s chances of success.

Answer: b

Section Reference: Factors of Production

Difficulty: Easy

Objective: 1.2

Objective Text: Identify and describe the factors of production.

Bloom’s Level: Knowledge

AACSB: Analytic

4. A person who seeks a profitable opportunity and then devises a plan to achieve that profit is called a(n) \_\_\_\_\_.

Answer: c

Section Reference: Factors of Production

Difficulty: Easy

Objective: 1.2

Objective Text: Identify and describe the factors of production.

Bloom’s Level: Knowledge

AACSB: Analytic

5. To operate effectively, certain inputs called \_\_\_\_\_ are required for all economic systems.

Answer: h

Section Reference: Factors of Production

Difficulty: Easy

Objective: 1.2

Objective Text: Identify and describe the factors of production.

Bloom’s Level: Knowledge

AACSB: Analytic

6. \_\_\_\_\_ is the unique combination of organizational abilities, products, and approaches that sets a company apart from competitors in the minds of consumers.

Answer: d

Section Reference: The Private Enterprise System

Difficulty: Easy

Objective: 1.3

Objective Text: Describe the private enterprise system.

Bloom’s Level: Knowledge

AACSB: Analytic

7. The right to \_\_\_\_\_\_ is the most basic freedom of the private enterprise system.

Answer: e

Section Reference: The Private Enterprise System

Difficulty: Easy

Objective: 1.3

Objective Text: Describe the private enterprise system.

Bloom’s Level: Knowledge

AACSB: Analytic

8. A(n) \_\_\_\_\_ is a name, term, sign, symbol, design, or combination that identifies the products of one firm.

Answer: i

Section Reference: Seven Eras in the History of Business

Difficulty: Easy

Objective: 1.4

Objective Text: Identify the seven eras in the history of business.

Bloom’s Level: Knowledge

AACSB: Analytic

9. The \_\_\_\_\_ is the era in business history defined by the collection of activities that build and maintain ongoing, mutually beneficial ties between a business and its customers and other parties.

Answer: j

Section Reference: Seven Eras in the History of Business

Difficulty: Easy

Objective: 1.4

Objective Text: Identify the seven eras in the history of business.

Bloom’s Level: Knowledge

AACSB: Analytic

10. A company that uses another business to perform functions previously handled by internal staff is participating in \_\_\_\_\_.

Answer: a

Section Reference: Today’s Business Workforce

Difficulty: Easy

Objective: 1.5

Objective Text: Explain how today’s business workforce and the nature of work itself are changing.

Bloom’s Level: Knowledge

AACSB: Analytic

11. The ability to perceive marketplace needs and what an organization can do to satisfy them is referred to as \_\_\_\_\_.

Answer: g

Section Reference: The 21st Century Manager

Difficulty: Easy

Objective: 1.6

Objective Text: Identify the skills and attributes needed for the 21st century manager.

Bloom’s Level: Knowledge

AACSB: Analytic

12. \_\_\_\_\_ refers to the standards of conduct and moral values involving decisions made in the work environment.

Answer: l

Section Reference: What Makes a Company Admired?

Difficulty: Easy

Objective: 1.7

Objective Text: Outline the characteristics that make a company admired.

Bloom’s Level: Knowledge

AACSB: Analytic

**ESSAY**

13. Describe technology as a capital source.

Answer:

Technology is a broad term that refers to such machinery and equipment as computers and software, telecommunications, and inventions designed to improve production. Information, frequently improved by technological innovations, is another critical factor because both managers and operating employees require accurate, timely information for effective performance of their assigned tasks. Technology plays an important role in the success of many businesses. Sometimes technology results in a new product, such as hybrid autos that run on a combination of gasoline and electricity. Most of the major car companies have introduced hybrid models in recent years.

Section Reference: Factors of Production

Difficulty: Easy

Objective: 1.2

Objective Text: Identify and describe the factors of production.

Bloom’s Level: Knowledge

AACSB: Analytic

14. 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.”

Answer:

Profit is the financial reward received by successful businesspeople who take the risks involved in blending people, technology, and information to create and market goods and services satisfying the needs of the market. 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.

Section Reference: Factors of Production

Difficulty: Hard

Objective: 1.2

Objective Text: Identify and describe the factors of production.

Bloom’s Level: Evaluation

AACSB: Analytic

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

Answer:

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.

Section Reference: The Private Enterprise System

Difficulty: Easy

Objective: 1.3

Objective Text: Describe the private enterprise system.

Bloom’s Level: Knowledge

AACSB: Analytic

16. Explain how consumers benefit from business competition.

Answer:

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.

Section Reference: The Private Enterprise System

Difficulty: Easy

Objective: 1.3

Objective Text: Describe the private enterprise system.

Bloom’s Level: Comprehension

AACSB: Analytic

17. List the seven eras of business history. Describe the current era in business.

Answer:

The seven eras are the Colonial period, the Industrial Revolution, the age of industrial entrepreneurs, the production era, the marketing era, the relationship era, and the social era. Today’s era, the social era of business, can be described as a new approach to the way businesses and consumers interact, connect, communicate, share, and exchange information with each other via various channels, including the Internet and social media platforms.

Section Reference: Seven Eras in the History of Business

Difficulty: Easy

Objective: 1.4

Objective Text: Identify the seven eras in the history of business.

Bloom’s Level: Knowledge

AACSB: Analytic

18. Briefly describe the Industrial Revolution and its contribution to the evolution of business.

Answer:

The Industrial Revolution began in England around 1750. It moved business operations from an emphasis on independent, skilled workers who specialized in building products one by one to a factory system that mass-produced items by bringing together large numbers of semiskilled workers. The factories profited from the savings created by large-scale production, bolstered by increasing support from machines over time. As businesses grew, they could often purchase raw materials more cheaply in larger lots than before. Specialization of labor, limiting each worker to a few specific tasks in the production process, also improved production efficiency.
Influenced by these events in England, business in the United States began a time of rapid industrialization. Agriculture became mechanized, and factories sprang up in cities. During the mid-1800s, the pace of the revolution was increased as newly built railroad systems provided fast, economical transportation. In California, for example, the combination of railroad construction and the gold rush fueled a tremendous demand for construction.

Section Reference: Seven Eras in the History of Business

Difficulty: Easy

Objective: 1.4

Objective Text: Identify the seven eras in the history of business.

Bloom’s Level: Knowledge

AACSB: Technology

19. Explain the difference between transaction management and business practices of the relationship era.

Answer:

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 are the business practices of the relationship era. Potential benefits of relationship era business practices include higher revenues and lower marketing expenses.

Section Reference: Seven Eras in the History of Business

Difficulty: Easy

Objective: 1.4

Objective Text: Identify the seven eras in the history of business.

Bloom’s Level: Comprehension

AACSB: Analytic

20. Explain how business owners enhanced productivity by building connections with their customers in the relationship era.

Answer:

In the relationship era, businesses are taking a different, longer-term approach to their interactions with customers. Firms now seek ways to actively nurture customer loyalty by carefully managing every interaction. They earn enormous paybacks for their efforts. A company that retains customers over the long haul reduces its advertising and sales costs. Because customer spending tends to accelerate over time, revenues also grow. Companies with long-term customers often can avoid costly reliance on price discounts to attract new business, and they find that many new buyers come from loyal customer referrals. Because it is much less expensive to serve existing customers than to find new ones, businesses that develop long-term customer relationships can reduce their overall costs. Long-term relationships with customers enable businesses to improve their understanding of what customers want and prefer from the company. As a result, businesses enhance their chances of sustaining real advantages through competitive differentiation.

Section Reference: Seven Eras in the History of Business

Difficulty: Easy

Objective: 1.4

Objective Text: Identify the seven eras in the history of business.

Bloom’s Level: Comprehension

AACSB: Analytic

21. Explain how the marketing era changed marketing in a way that it was no longer synonymous with just selling.

Answer:

The demand for consumer goods boomed post World War II, leaving business needing a way to differentiate their products on the market. Businesses envisioned a process of determining what consumers both wanted and needed, then designed products to satisfy those needs, a philosophy called consumer orientation. It was also during this time that branding was needed by businesses to differentiate their products from the competition.

Section Reference: Seven Eras in the History of Business

Difficulty: Easy

Objective: 1.4

Objective Text: Identify the seven eras in the history of business.

Bloom’s Level: Comprehension

AACSB: Technology

22. Describe offshoring and related trends.

Answer:

Offshoring is the relocation of business processes to lower-cost locations overseas. This can include both production and services. In recent years, China has emerged as a dominant location for production offshoring for many firms, while India has become the key player in offshoring services. Some U.S. companies are now structured so that entire divisions or functions are developed and staffed overseas—the jobs were never in the United States to start with.

Section Reference: Today’s Business Workforce

Difficulty: Easy

Objective: 1.5

Objective Text: Explain how today’s business workforce and the nature of work itself are changing.

Bloom’s Level: Comprehension

AACSB: Analytic

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

Answer:

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.

Section Reference: Today’s Business Workforce

Difficulty: Easy

Objective: 1.5

Objective Text: Explain how today’s business workforce and the nature of work itself are changing.

Bloom’s Level: Comprehension

AACSB: Analytic

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

Answer:

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.

Section Reference: Today’s Business Workforce

Difficulty: Easy

Objective: 1.5

Objective Text: Explain how today’s business workforce and the nature of work itself are changing.

Bloom’s Level: Knowledge

AACSB: Analytic

25. What are the advantages of a diverse workforce?

Answer:

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.

Section Reference: Today’s Business Workforce

Difficulty: Easy

Objective: 1.5

Objective Text: Explain how today’s business workforce and the nature of work itself are changing.

Bloom’s Level: Knowledge

AACSB: Diversity

26. Provide some examples of external and internal forces that would require a manager to lead organizational change.

Answer:

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.

Section Reference: The 21st Century Manager

Difficulty: Easy

Objective: 1.6

Objective Text: Identify the skills and attributes needed for the 21st century manager.

Bloom’s Level: Comprehension

AACSB: Analytic

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

Answer:

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.

Section Reference: The 21st Century Manager

Difficulty: Easy

Objective: 1.6

Objective Text: Identify the skills and attributes needed for the 21st century manager.

Bloom’s Level: Comprehension

AACSB: Analytic

28. Explain how business ethics differs from social responsibility.

Answer:

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.

Section Reference: What Makes a Company Admired?

Difficulty: Easy

Objective: 1.7

Objective Text: Outline the characteristics that make a company admired.

Bloom’s Level: Comprehension

AACSB: Ethics

29. Describe critical thinking and creativity and why they are important qualities for the 21st century manager.

Answer:

Critical thinking is the ability to analyze and assess information to pinpoint problems or opportunities. The critical-thinking process includes activities such as determining the authenticity, accuracy, and worth of information, knowledge, and arguments. It involves looking beneath the surface for deeper meaning and connections that can help identify critical issues and solutions. Without critical thinking, a firm may encounter serious problems. Creativity is the capacity to develop novel solutions to perceived organizational problems. Although most people think of it in relation to writers, artists, musicians, and inventors, that is a very limited definition. In business, creativity refers to the ability to see better and different ways of doing business. A computer engineer who solves a glitch in a software program is executing a creative act.

Section Reference: What Makes a Company Admired?

Difficulty: Easy

Objective: 1.7

Objective Text: Outline the characteristics that make a company admired.

Bloom’s Level: Comprehension

AACSB: Ethics

**MULTIPLE CHOICE**

30. All of the following are businesses EXCEPT \_\_\_\_\_\_\_\_.

1. U.S. Postal Services
2. UPS
3. FedEx
4. AOL Time Warner

Answer: a

Section Reference: What Is Business?

Difficulty: Easy

Objective: 1.1

Objective Text: Define the term *business*.

Bloom’s Level: Knowledge

AACSB: Analytic

31. What is at the heart of every business endeavor?

1. The exchange between a buyer and seller
2. The creation of a product
3. Providing a service
4. A mission statement

Answer: a

Section Reference: What Is Business?

Difficulty: Easy

Objective: 1.1

Objective Text: Define the term *business*.

Bloom’s Level: Knowledge

AACSB: Analytic

32. Which of the following are organized for profit and provide goods and services?

1. Businesses
2. Public schools
3. Government agencies
4. Churches

Answer: a

Section Reference: What Is Business?

Difficulty: Easy

Objective: 1.1

Objective Text: Define the term *business*.

Bloom’s Level: Knowledge

AACSB: Analytic

33. \_\_\_\_\_\_\_\_ 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.

1. Vision
2. Profit
3. Market research
4. Philanthropy

Answer: b

Section Reference: What Is Business?

Difficulty: Easy

Objective: 1.1

Objective Text: Define the term *business*.

Bloom’s Level: Comprehension

AACSB: Analytic

34. In the U.S. economy, \_\_\_\_\_\_\_\_ are considered the reward for the risk of entering business.

1. revenues
2. generated income
3. profits
4. sales

Answer: c

Section Reference: What Is Business?

Difficulty: Easy

Objective: 1.1

Objective Text: Define the term *business*.

Bloom’s Level: Knowledge

AACSB: Analytic

35. All of the following statements are correct EXCEPT:

1. successful businesses seek to meet their social and ethical responsibilities.
2. business provides goods and services necessary to an economic system.
3. business is the economic pulse of a nation.
4. business includes not-for-profit organizations that provide services to the public.

Answer: d

Section Reference: What Is Business?

Difficulty: Easy

Objective: 1.1

Objective Text: Define the term *business*.

Bloom’s Level: Comprehension

AACSB: Analytic

36. All of the following are typically part of the not-for-profit sector EXCEPT \_\_\_\_\_\_\_\_.

1. labor unions
2. religious organizations
3. hotels
4. museums

Answer: c

Section Reference: What Is Business?

Difficulty: Easy

Objective: 1.1

Objective Text: Define the term *business*.

Bloom’s Level: Comprehension

AACSB: Analytic

37. A public-sector not-for-profit organization would include \_\_\_\_\_.

1. libraries
2. museums
3. charitable groups
4. labor unions

Answer: d

Section Reference: What Is Business?

Difficulty: Easy

Objective: 1.1

Objective Text: Define the term *business*.

Bloom’s Level: Knowledge

AACSB: Analytic

38. The factors of production in an economic system are \_\_\_\_\_\_\_\_.

1. land, rent, capital, and human resources
2. capital, perseverance, natural resources, and human resources
3. rent, wages, interest, and profit
4. natural resources, human resources, capital, and entrepreneurship

Answer: d

Section Reference: Factors of Production

Difficulty: Easy

Objective: 1.2

Objective Text: Identify and describe the factors of production.

Bloom’s Level: Comprehension

AACSB: Analytic

39. Donovan Corporation’s sources of capital can include all of the following EXCEPT \_\_\_\_\_\_\_\_.

1. cash dividends declared by Donovan’s board of directors and paid to the stockholders
2. investments from stockholders
3. reinvested profits
4. loans extended by others

Answer: a

Section Reference: Factors of Production

Difficulty: Medium

Objective: 1.2

Objective Text: Identify and describe the factors of production.

Bloom’s Level: Application

AACSB: Reflective Thinking

40. Timber Trails, a lumber company in the United States, utilizes \_\_\_\_\_\_\_\_ as its primary production factor.

1. human resources
2. entrepreneurship
3. capital
4. natural resources

Answer: d

Section Reference: Factors of Production

Difficulty: Medium

Objective: 1.2

Objective Text: Identify and describe the factors of production.

Bloom’s Level: Application

AACSB: Reflective Thinking

41. A company that values employees as sources of ideas and innovation is utilizing its \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

1. entrepreneurial skills
2. natural resources
3. capital
4. human resources

Answer: d

Section Reference: Factors of Production

Difficulty: Easy

Objective: 1.2

Objective Text: Identify and describe the factors of production.

Bloom’s Level: Comprehension

AACSB: Analytic

42. The human resources of a firm refer to \_\_\_\_\_\_\_\_.

1. everyone over 18 years of age
2. everyone who works for the business
3. only full-time employees
4. only the top management

Answer: b

Section Reference: Factors of Production

Difficulty: Easy

Objective: 1.2

Objective Text: Identify and describe the factors of production.

Bloom’s Level: Knowledge

AACSB: Analytic

43. Technology, tools, information, and physical facilities for the operation of a business are examples of \_\_\_\_\_\_\_\_.

1. profits
2. wages
3. capital
4. interest

Answer: c

Section Reference: Factors of Production

Difficulty: Easy

Objective: 1.2

Objective Text: Identify and describe the factors of production.

Bloom’s Level: Knowledge

AACSB: Analytic

44. Tarek, a former middle manager at Alexander Manufacturing, owns and operates a Subway franchise. This is an example of \_\_\_\_\_\_\_\_.

1. social responsibility
2. socialism
3. entrepreneurship
4. pure competition

Answer: c

Section Reference: Factors of Production

Difficulty: Medium

Objective: 1.2

Objective Text: Identify and describe the factors of production.

Bloom’s Level: Application

AACSB: Reflective Thinking

45. Capitalism is founded on \_\_\_\_\_\_\_\_.

1. the social changes that followed the Industrial Revolution
2. the idea that 80 percent of the nation’s wealth should be owned by no more than 20 percent of the people
3. the belief that competition among business firms best serves the needs of society
4. the idea that the government must own all factors of production

Answer: c

Section Reference: The Private Enterprise System

Difficulty: Easy

Objective: 1.3

Objective Text: Describe the private enterprise system.

Bloom’s Level: Comprehension

AACSB: Analytic

46. In his book *The* *Wealth of Nations*, the Scottish economist Adam Smith was the first person to describe \_\_\_\_\_\_\_\_.

1. socialism
2. communism
3. capitalism
4. entrepreneurship

Answer: c

Section Reference: The Private Enterprise System

Difficulty: Easy

Objective: 1.3

Objective Text: Describe the private enterprise system.

Bloom’s Level: Knowledge

AACSB: Analytic

47. In the United States, businesses function within \_\_\_\_\_, an economic system that rewards firms for their ability to identify and serve the needs and demands of customers.

1. the private enterprise system
2. a social democracy
3. a monopoly
4. socialism

Answer: a

Section Reference: The Private Enterprise System

Difficulty: Easy

Objective: 1.3

Objective Text: Describe the private enterprise system.

Bloom’s Level: Knowledge

AACSB: Analytic

48. When Greenlawn Inc. finds itself losing contracts because Lo-Price Lawn Co. charges less money, Greenlawn responds by lowering its bids. This reaction demonstrates \_\_\_\_\_\_\_\_.

1. the invisible hand of competition
2. collision
3. the right to private property
4. social responsibility

Answer: a

Section Reference: The Private Enterprise System

Difficulty: Medium

Objective: 1.3

Objective Text: Describe the private enterprise system.

Bloom’s Level: Application

AACSB: Reflective Thinking

49. Namesh recently sold his Ford Taurus to a friend. Namesh’s sale of his automobile illustrates the right to \_\_\_\_\_\_\_\_.

1. freedom of choice
2. private property
3. profit
4. set ground rules for competitive activity

Answer: b

Section Reference: The Private Enterprise System

Difficulty: Medium

Objective: 1.3

Objective Text: Describe the private enterprise system.

Bloom’s Level: Application

AACSB: Reflective Thinking

50. By offering a lifetime warranty on its products, Warner Electronics has set itself apart from its competition. This difference is known as Warner Electronics’ \_\_\_\_\_\_\_\_\_\_\_.

1. private enterprise system
2. competitive differentiation
3. capitalism
4. natural resources

Answer: b

Section Reference: The Private Enterprise System

Difficulty: Medium

Objective: 1.3

Objective Text: Describe the private enterprise system.

Bloom’s Level: Application

AACSB: Reflective Thinking

51. All of the following are basic rights within a private enterprise system EXCEPT \_\_\_\_\_\_\_\_.

1. the right to private property
2. guaranteed profits
3. freedom of choice of investment
4. freedom of choice of employment

Answer: b

Section Reference: The Private Enterprise System

Difficulty: Easy

Objective: 1.3

Objective Text: Describe the private enterprise system.

Bloom’s Level: Comprehension

AACSB: Analytic

52. Citizens in a private enterprise system have the right to choose their employment, purchases, and investments, illustrating their right to \_\_\_\_\_\_\_\_.

1. private property
2. credit
3. profit
4. freedom of choice

Answer: d

Section Reference: The Private Enterprise System

Difficulty: Easy

Objective: 1.3

Objective Text: Describe the private enterprise system.

Bloom’s Level: Comprehension

AACSB: Analytic

53. Which of the following is considered to be the most basic freedom under the private enterprise system?

1. The right to private property
2. The right to guaranteed profits
3. Freedom of choice
4. The right to fair competition

Answer: a

Section Reference: The Private Enterprise System

Difficulty: Easy

Objective: 1.3

Objective Text: Describe the private enterprise system.

Bloom’s Level: Knowledge

AACSB: Analytic

54. The right to profit means the \_\_\_\_\_\_\_\_.

1. risk taker is guaranteed the right to all profits (after taxes) that are earned by the business
2. right to go into or out of business at any point and for any reason
3. government will guarantee a profit
4. right to all benefits resulting from the ownership of property

Answer: a

Section Reference: The Private Enterprise System

Difficulty: Easy

Objective: 1.3

Objective Text: Describe the private enterprise system.

Bloom’s Level: Knowledge

AACSB: Analytic

55. All of the following are rights granted to citizens and to the government in a private enterprise system EXCEPT the right to \_\_\_\_\_\_\_\_.

1. fair competition
2. permit price discrimination
3. select from among a variety of goods and services
4. own property

Answer: b

Section Reference: The Private Enterprise System

Difficulty: Easy

Objective: 1.3

Objective Text: Describe the private enterprise system.

Bloom’s Level: Comprehension

AACSB: Analytic

56. In the colonial society, real economic power was centered in \_\_\_\_\_\_\_\_.

1. metropolitan areas
2. areas west of the Mississippi River
3. cities
4. rural areas

Answer: d

Section Reference: Seven Eras in the History of Business

Difficulty: Easy

Objective: 1.4

Objective Text: Identify the seven eras in the history of business.

Bloom’s Level: Knowledge

AACSB: Analytic

57. The Industrial Revolution in England transformed America’s economy by introducing \_\_\_\_\_\_\_\_.

1. the factory system
2. labor unions
3. the concept of each worker producing one complete product
4. the continuously moving assembly line

Answer: a

Section Reference: Seven Eras in the History of Business

Difficulty: Easy

Objective: 1.4

Objective Text: Identify the seven eras in the history of business.

Bloom’s Level: Comprehension

AACSB: Analytic

58. During the mid-1800s, the pace of industrialization in America increased as \_\_\_\_\_\_\_\_.

1. a good relationship was formed with England
2. railroad systems were built providing fast, economical transportation
3. the automobile revolution occurred
4. a reliable system of telephone communication was established

Answer: b

Section Reference: Seven Eras in the History of Business

Difficulty: Easy

Objective: 1.4

Objective Text: Identify the seven eras in the history of business.

Bloom’s Level: Knowledge

AACSB: Analytic

59. Inventors such as Robert McCormick and Eli Whitney were part of the \_\_\_\_\_\_\_\_\_\_\_.

1. marketing era
2. colonial era
3. age of industrial entrepreneurs
4. relationship era

Answer: c

Section Reference: Seven Eras in the History of Business

Difficulty: Easy

Objective: 1.4

Objective Text: Identify the seven eras in the history of business.

Bloom’s Level: Knowledge

AACSB: Analytic

60. Henry Ford is noted in business history for introducing the assembly line, which greatly reduced the cost of producing a car. Assembly lines first became common during the \_\_\_\_\_\_\_\_.

1. relationship era
2. marketing era
3. Industrial Revolution
4. production era

Answer: d

Section Reference: Seven Eras in the History of Business

Difficulty: Medium

Objective: 1.4

Objective Text: Identify the seven eras in the history of business.

Bloom’s Level: Application

AACSB: Reflective Thinking

61. All of the following are true of the production era EXCEPT:

1. companies focused on internal process rather than external influences.
2. marketing was an afterthought.
3. companies produced more goods through quicker means.
4. companies primarily focused on consumer wants.

Answer: d

Section Reference: Seven Eras in the History of Business

Difficulty: Easy

Objective: 1.4

Objective Text: Identify the seven eras in the history of business.

Bloom’s Level: Knowledge

AACSB: Analytic

62. The business philosophy that advocates determining what consumers want and need, and then designing products to satisfy those needs, is known as \_\_\_\_\_\_\_\_.

1. consumer orientation
2. self-sufficiency concept
3. work ethic
4. production concept

Answer: a

Section Reference: Seven Eras in the History of Business

Difficulty: Easy

Objective: 1.4

Objective Text: Identify the seven eras in the history of business.

Bloom’s Level: Knowledge

AACSB: Analytic

63. The concept of branding first emerged during the \_\_\_\_\_\_\_\_.

1. production era
2. relationship era
3. age of the industrial entrepreneur
4. marketing era

Answer: d

Section Reference: Seven Eras in the History of Business

Difficulty: Easy

Objective: 1.4

Objective Text: Identify the seven eras in the history of business.

Bloom’s Level: Knowledge

AACSB: Analytic

64. Which of the following BEST distinguishes the philosophy of the marketing era from the philosophy of the production era?

1. The marketing era was more consumer oriented.
2. The production era occurred after World War II.
3. The marketing era advocated price discrimination.
4. The production era was more consumer oriented.

Answer: a

Section Reference: Seven Eras in the History of Business

Difficulty: Easy

Objective: 1.4

Objective Text: Identify the seven eras in the history of business.

Bloom’s Level: Comprehension

AACSB: Analytic

65. The approach of concentrating on building and promoting products in the hope that enough customers will buy them to cover costs and earn acceptable profits is called \_\_\_\_\_\_\_\_.

1. relationship management
2. marketing management
3. a strategic alliance
4. transaction management

Answer: d

Section Reference: Seven Eras in the History of Business

Difficulty: Easy

Objective: 1.4

Objective Text: Identify the seven eras in the history of business.

Bloom’s Level: Knowledge

AACSB: Analytic

66. The relationship era is also the age of:

1. competition between businesses and customers.
2. connections between employees and employers.
3. discord between separate companies.
4. Industrial Revolution.

Answer: b

Section Reference: Seven Eras in the History of Business

Difficulty: Easy

Objective: 1.4

Objective Text: Identify the seven eras in the history of business.

Bloom’s Level: Comprehension

AACSB: Analytic

67. All of the following are advantages of the relationship era practices EXCEPT:

1. efficient customer services.
2. increased production through faster means.
3. efficient customer referral programs.
4. improved understanding of what customers need and want.

Answer: b

Section Reference: Seven Eras in the History of Business

Difficulty: Easy

Objective: 1.4

Objective Text: Identify the seven eras in the history of business.

Bloom’s Level: Comprehension

AACSB: Analytic

68. Nurturing customer loyalty by gathering knowledge of customer needs and preferences is an approach cultivated \_\_\_\_\_\_\_\_\_\_\_\_.

1. in the relationship era
2. in the Colonial period
3. during the Industrial Revolution
4. in the marketing era

Answer: a

Section Reference: Seven Eras in the History of Business

Difficulty: Easy

Objective: 1.4

Objective Text: Identify the seven eras in the history of business.

Bloom’s Level: Knowledge

AACSB: Analytic

69. The \_\_\_\_\_ of business can be described as a new approach to the way businesses and consumers interact, connect, communicate, share, and exchange information with each other via various channels, including the Internet and social media platforms.

1. relationship era
2. social era
3. Colonial era
4. marketing era

Answer: b

Section Reference: Seven Eras in the History of Business

Difficulty: Easy

Objective: 1.4

Objective Text: Identify the seven eras in the history of business.

Bloom’s Level: Knowledge

AACSB: Analytic

70. Which of the following is NOT a new trend in the modern work environment?

1. Telecommuting
2. Job sharing
3. Rigid job structures
4. Increase in part-time and temporary workers

Answer: c

Section Reference: Today’s Business Workforce

Difficulty: Easy

Objective: 1.5

Objective Text: Explain how today’s business workforce and the nature of work itself are changing.

Bloom’s Level: Comprehension

AACSB: Analytic

71. The number of people aged 65 or over will \_\_\_\_\_\_\_\_ by 2030.

1. decrease by approximately 10 percent
2. double
3. increase by approximately 30 percent
4. increase by approximately 10 percent

Answer: b

Section Reference: Today’s Business Workforce

Difficulty: Easy

Objective: 1.5

Objective Text: Explain how today’s business workforce and the nature of work itself are changing.

Bloom’s Level: Knowledge

AACSB: Analytic

72. Diverse employee teams tend to perform \_\_\_\_\_\_\_\_ and develop \_\_\_\_\_\_\_\_ than do homogenous employee groups.

1. less effectively; better solutions
2. more effectively; better solutions
3. less effectively; worse solutions
4. more effectively; worse solutions

Answer: b

Section Reference: Today’s Business Workforce

Difficulty: Easy

Objective: 1.5

Objective Text: Explain how today’s business workforce and the nature of work itself are changing.

Bloom’s Level: Comprehension

AACSB: Analytic

73. Which of the following statements is NOT correct?

1. Workers change jobs less frequently today.
2. The size of the labor pool is decreasing.
3. The U.S. population is getting older.
4. The U.S. population is becoming more diverse.

Answer: a

Section Reference: Today’s Business Workforce

Difficulty: Easy

Objective: 1.5

Objective Text: Explain how today’s business workforce and the nature of work itself are changing.

Bloom’s Level: Knowledge

AACSB: Analytic

74. Outsourcing \_\_\_\_\_\_\_\_.

1. reduces the diversity of the workforce
2. reduces costs for a firm
3. increases staffing requirements
4. increases costs

Answer: b

Section Reference: Today’s Business Workforce

Difficulty: Easy

Objective: 1.5

Objective Text: Explain how today’s business workforce and the nature of work itself are changing.

Bloom’s Level: Comprehension

AACSB: Analytic

75. When a business employs an outside company to handle all customer correspondence and phone calls, the business is \_\_\_\_\_\_\_\_ its customer service department.

1. outsourcing
2. branding
3. multitasking
4. shrinking

Answer: a

Section Reference: Today’s Business Workforce

Difficulty: Easy

Objective: 1.5

Objective Text: Explain how today’s business workforce and the nature of work itself are changing.

Bloom’s Level: Comprehension

AACSB: Analytic

76. When Google opened offices in Tokyo, London, and Sydney, they were utilizing \_\_\_\_\_\_\_\_ by relocating business activities to lower-cost locations overseas.

1. nearshoring
2. outsourcing
3. offshoring
4. employee sourcing

Answer: c

Section Reference: Today’s Business Workforce

Difficulty: Medium

Objective: 1.5

Objective Text: Explain how today’s business workforce and the nature of work itself are changing.

Bloom’s Level: Application

AACSB: Reflective Thinking

77. When a U.S. company contracts work to Mexico, it is \_\_\_\_\_\_\_\_.

1. nearshoring
2. importing
3. exporting
4. offshoring

Answer: a

Section Reference: Today’s Business Workforce

Difficulty: Easy

Objective: 1.5

Objective Text: Explain how today’s business workforce and the nature of work itself are changing.

Bloom’s Level: Comprehension

AACSB: Analytic

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

1. the Baby Boomers.
2. Generation X.
3. Generation Y.
4. the EU.

Answer: a

Section Reference: Today’s Business Workforce

Difficulty: Easy

Objective: 1.5

Objective Text: Explain how today’s business workforce and the nature of work itself are changing.

Bloom’s Level: Knowledge

AACSB: Analytic

79. \_\_\_\_\_\_\_\_ is the ability to perceive marketplace needs and what an organization must do to satisfy these needs.

1. Critical thinking
2. Social responsibility
3. Vision
4. Creativity

Answer: c

Section Reference: The 21st Century Manager

Difficulty: Easy

Objective: 1.6

Objective Text: Identify the skills and attributes needed for the 21st century manager.

Bloom’s Level: Knowledge

AACSB: Analytic

80. For today’s managers, which of the following is LEAST important?

1. The ability to work by strict rules
2. Vision
3. Critical thinking skills
4. Creativity

Answer: a

Section Reference: The 21st Century Manager

Difficulty: Easy

Objective: 1.6

Objective Text: Identify the skills and attributes needed for the 21st century manager.

AACSB: Analytic

Bloom’s Level: Knowledge

81. In business, \_\_\_\_\_\_\_\_ refers to the ability to see better and different ways of doing business.

1. critical thinking
2. social responsibility
3. creativity
4. vision

Answer: c

Section Reference: The 21st Century Manager

Difficulty: Easy

Objective: 1.6

Objective Text: Identify the skills and attributes needed for the 21st century manager.

Bloom’s Level: Knowledge

AACSB: Analytic

82. Emily works for a pharmaceutical company and gives a presentation on the need to expand the company’s geriatric division within the next ten years. Emily is helping to establish the company’s \_\_\_\_\_\_\_\_.

1. creativity
2. productivity
3. vision
4. critical thinking process

Answer: c

Section Reference: The 21st Century Manager

Difficulty: Medium

Objective: 1.6

Objective Text: Identify the skills and attributes needed for the 21st century manager.

Bloom’s Level: Application

AACSB: Analytic

83. Alejandro is seeking to revitalize his graphic design company with new innovations and has called a meeting with his top designers to brainstorm for new ideas. Alejandro is \_\_\_\_\_\_\_\_.

1. engaging in social philanthropy
2. focusing on a consumer-oriented approach
3. engaging in critical thinking
4. focusing on creativity

Answer: d

Section Reference: The 21st Century Manager

Difficulty: Medium

Objective: 1.6

Objective Text: Identify the skills and attributes needed for the 21st century manager.

Bloom’s Level: Application

AACSB: Reflective Thinking

84. When 3M managers decided to manufacture Post-it notes, a new product was born. This was an example of \_\_\_\_\_\_\_\_ in action.

1. critical thinking skills
2. vision
3. social responsibility
4. creativity

Answer: d

Section Reference: The 21st Century Manager

Difficulty: Medium

Objective: 1.6

Objective Text: Identify the skills and attributes needed for the 21st century manager.

Bloom’s Level: Application

AACSB: Analytic

85. Feedback from customers is an example of a(n) \_\_\_\_\_\_\_\_ that requires organizational change.

1. external force
2. internal force
3. change agent
4. marketing issue

Answer: a

Section Reference: The 21st Century Manager

Difficulty: Easy

Objective: 1.6

Objective Text: Identify the skills and attributes needed for the 21st century manager.

Bloom’s Level: Comprehension

AACSB: Analytic

86. Which of the following is NOTan example of an internal force that requires organizational change?

1. Labor union demands
2. Production problems
3. New company goals
4. New technologies

Answer: d

Section Reference: The 21st Century Manager

Difficulty: Easy

Objective: 1.6

Objective Text: Identify the skills and attributes needed for the 21st century manager.

Bloom’s Level: Knowledge

AACSB: Analytic

87. When management adheres to a set of standards involving the right and wrong actions arising in the work environment, management is practicing \_\_\_\_\_\_\_\_.

1. social responsibility
2. business ethics
3. social welfare
4. creativity

Answer: b

Section Reference: What Makes a Company Admired?

Difficulty: Easy

Objective: 1.7

Objective Text: Outline the characteristics that make a company admired.

Bloom’s Level: Knowledge

AACSB: Ethics

88. “Newman’s Own” is a food product line that gives 100 percent of its after-tax profits to charity. This company is focusing on \_\_\_\_\_\_\_\_.

1. business ethics
2. social responsibility
3. customer satisfaction
4. creativity

Answer: b

Section Reference: What Makes a Company Admired?

Difficulty: Medium

Objective: 1.7

Objective Text: Outline the characteristics that make a company admired.

Bloom’s Level: Application

AACSB: Reflective Thinking

89. When management’s decisions align with social and economic issues, the company is \_\_\_\_\_\_\_\_.

1. engaging in creativity
2. practicing business ethics
3. contributing toward social welfare
4. fulfilling its social responsibility

Answer: d

Section Reference: What Makes a Company Admired?

Difficulty: Easy

Objective: 1.7

Objective Text: Outline the characteristics that make a company admired.

Bloom’s Level: Knowledge

AACSB: Ethics

90. Social responsibility would include all of the following EXCEPT \_\_\_\_\_\_\_\_.

1. supporting an NGO
2. buying goods and services from minority-owned vendors
3. making campaign contributions to politicians in the hope of obtaining a government contract
4. making contributions to the public radio station

Answer: c

Section Reference: What Makes a Company Admired?

Difficulty: Easy

Objective: 1.7

Objective Text: Outline the characteristics that make a company admired.

Bloom’s Level: Comprehension

AACSB: Ethics

91. \_\_\_\_\_\_\_\_ refers to standards of conduct and moral values of a firm.

1. Creativity
2. Business ethics
3. Critical outlook
4. Social responsibility

Answer: b

Section Reference: What Makes a Company Admired?

Difficulty: Easy

Objective: 1.7

Objective Text: Outline the characteristics that make a company admired.

Bloom’s Level: Knowledge

AACSB: Ethics