

Chapter 2--The Business Environment

Student: _____

1. Which of the following is mentioned as a force that aided recovery from the recession of 2002-2003?
 - A. Economic growth was fueled by the emergence of China and India as global industrial powers.
 - B. The poor performance of many internet companies was offset by high performance by firms in the health care sector.
 - C. Terrorist attacks lead to an increased sense that internet companies were an important force in the economy.
 - D. All of these choices.
2. Which of the following actions which Johnson and Johnson engaged in is mentioned as one of the factors which enabled them to save their Tylenol brand after a poison scare in the 1980s?
 - A. J&J had an ethics credo which emphasized the importance of their customers.
 - B. J&J was very careful to keep media attention away from their company.
 - C. J&J pulled all versions of the Tylenol product from shelves nationwide.
 - D. J&J was able to identify the assailant that poisoned the Tylenol capsules and aid in bringing him to justice.
3. Which of the following statements is true about the Dow Jones Industrial average?
 - A. The companies that comprise the Dow Jones Industrial average represent an equal mix of service and manufacturing.
 - B. Only one company that was on the Dow Jones Industrial average in 1896 remained there in 2009.
 - C. Over time, the number of firms that are part of the Dow Jones Industrial average has decreased a great deal.
 - D. Firms have been removed from the Dow Jones Industrial average if they have been found the engage in unethical business practices which threaten customer safety
4. Which of the following represents part of a firm's general environment?
 - A. The technological environment
 - B. The sociocultural environment
 - C. The political/legal environment
 - D. All of these choices
5. Which of the following is true about a firm's task environment?
 - A. It includes the sociocultural environment surrounding the firm
 - B. It includes both competitors and suppliers
 - C. It is more important to firm performance than the general environment
 - D. It is relatively stable over time if a firm maintains its same product line

6. Health care legislation in the US is best conceptualized as an example of an influence from what aspects of a health care firm's environment?
- A. The sociocultural environment
 - B. The global environment
 - C. The legal/political environment
 - D. The technological environment
7. The birth of the internet is an example of an influence of what aspect of a firm's environment?
- A. The sociocultural environment
 - B. The global environment
 - C. The legal/political environment
 - D. The technological environment
8. Which of the following industries would be particularly vulnerable to forces in the economic environment?
- A. The homebuilding industry
 - B. The healthcare industry
 - C. The grocery store industry
 - D. All of these choices are equally affected by changes in the economic environment
9. Congress has debated changed fuel efficiency standards in the US. If they pass a law that requires new cars to be more fuel efficient, this is an example of a force from what aspect of a firm's environment?
- A. The sociocultural environment
 - B. The global environment
 - C. The legal/political environment
 - D. The technological environment
10. Which aspect of the external environment refers to demographic characteristics as well as the values and customs of a society?
- A. The sociocultural environment
 - B. The global environment
 - C. The legal/political environment
 - D. The technological environment
11. Which of the following refers to group of individuals elected by the shareholders and charged with overseeing the general direction of the firm?
- A. Owners
 - B. Board of Directors
 - C. Employee
 - D. Culture creators

12. An IT start-up firm lets employees come and go from work whenever they please as long as they get their work done. There is no formal dress code and employees and managers tend to dress very informally. These characteristics are would be indicators of what aspect of the firm's internal environment?
- A. Its union
 - B. Its board of directors
 - C. Its culture
 - D. Its employees
13. How did the Sarbanes-Oxley Act change the roles that individuals in a firm's internal environment have?
- A. It mandated the Board of Directors to prepare financial statements and ensure sound financial reporting
 - B. It required any employee who had suspicion that there was fraud in their firm to report this to the SEC or face criminal prosecution
 - C. It required all firms to conduct criminal background checks on key executives before hiring them to ensure they did not have criminal backgrounds
 - D. None of these choices
14. Which of the following is true about firm ownership in the United States?
- A. Individual shareholders typically wield greater influence over firms than institutional shareholders
 - B. Most businesses in the US are owned by a single person
 - C. Most employees in the US have some ownership in the firm they work for
 - D. To be considered an owner, an individual must oversee the day to day operations of the firm
15. Which of the following is true about a firm's culture?
- A. Firm cultures develop very quickly
 - B. Firm culture is often a by-product of the founder's personality
 - C. Firm cultures are stable over time
 - D. All of these choices
16. How have US firms been influenced by globalization of business?
- A. Firms face new competitors from overseas
 - B. Consumers benefit because the most efficient firms prosper
 - C. When firms cannot compete, jobs may be shipped overseas
 - D. All of these choices
17. Which stakeholders must managers concern themselves with due to increased interest in Corporate Social Responsibility?
- A. Shareholders only
 - B. Shareholders and the environment only
 - C. Shareholders, the environment, and the community
 - D. Managers no longer need to be concerned with stakeholders

18. A pharmaceutical firm's R&D studies show that a new pain medication, while highly effective at relieving pain, places individuals at high risk for a heart attack. Because of the effectiveness of the medication in pain relief, the firm is likely to sell a lot of medication, increasing profits and shareholder value. Despite this, the CEO decides not to market the product due to the health risk to patients. His decision is based on which of the following arguments for CSR?
- A. Moral responsibility
 - B. Sustainability
 - C. License to operate
 - D. Reputation
19. A real estate development firm would like to build a new shopping mall. They find an ideal location which is very accessible and likely to get a lot of traffic. However, the location currently has a very popular park and some homes which would have to be torn down. Members of the community are upset about the plans for the mall and contact the media to share their displeasure. The CEO is alarmed about this bad press and decides to look for a new location for the mall. Her decision is based on which of the following arguments for CSR?
- A. Moral responsibility
 - B. Sustainability
 - C. License to operate
 - D. Reputation
20. A firm's office manager decides to purchase the recycled paper for use in the copy machine, even though there is a less expensive brand that is not recycled. His decision is based on which of the following arguments for CSR?
- A. Moral responsibility
 - B. Sustainability
 - C. License to operate
 - D. Reputation
21. Johnson & Johnson used _____ to manage the media and maintain the public's trust during the 1970s.
- A. Pulling products from shelves
 - B. Replacing products if customer asked
 - C. Being transparent
 - D. Asking the FBI for help
22. Managers need _____ to navigate the business environment of the firm.
- A. Education
 - B. Tools
 - C. Communication
 - D. Leadership Training

23. The most difficult challenge for managers today is the ever changing ____.
- A. Customer needs
 - B. Governmental regulations
 - C. Environment
 - D. Work force
24. G. E. has changed its major business efforts (75%) from ____ to ____ over the last 25 years.
- A. Manufacturing to services
 - B. Manufacturing to communication satellites
 - C. Manufacturing to electronics
 - D. Electronics to computer technology
25. A firm's external environment is comprised of ____ components.
- A. 2
 - B. 3
 - C. 4
 - D. 5
26. Technological and Global are elements of the ____.
- A. Task environment
 - B. Internal environment
 - C. External environment
 - D. General environment
27. In 2010, Apple introduced the iPad which forces competing firms to change their ____.
- A. Business plans
 - B. Task environment
 - C. General environment
 - D. Electronic chip suppliers
28. Target, Walmart, CVS, K-Mart are classified as ____ in the business environment.
- A. U.S. firms competing for global recognition
 - B. Global firms based in the U.S.
 - C. Use pharmacies to entice customers to shop in their stores
 - D. Competitors for similar groups of customers
29. The ____ is the dimension that is made up of ____ components.
- A. General environment, 3.
 - B. General environment, 4.
 - C. Internal environment, 3.
 - D. Internal environment, 4.

30. Owners of a firm maintain ____ control of the organization.
- A. Physical
 - B. Operational
 - C. Legal
 - D. Organizational
31. McDonald's institutional stockholders have ____ influence over the company's strategies or management.
- A. Great
 - B. Little
 - C. No
 - D. Partial
32. Union membership in the U.S. has been on a(n) ____ trend for many years.
- A. Upward
 - B. Downward
 - C. Stable
 - D. Level with employment numbers
33. The culture of a company is ____ easily changed because it is based on ____.
- A. Very, bonuses and profits
 - B. Not, long term values
 - C. Somewhat, owners' values
 - D. Not, consultants using training sessions.
34. Corporate Social Responsibility is the main function of the ____.
- A. Managers
 - B. Owners
 - C. Shareholders
 - D. It is not a main function, but part of the responsibility of all parties
35. Trade barriers ____ economic growth as the world moves towards globalization.
- A. Increase
 - B. Decrease
 - C. Hinder
 - D. Create healthy

36. Globalization began when ____ caused countries to think about economies and a country's economic potential.
- A. WW II
 - B. WW I
 - C. McDonald's
 - D. The invention of the personal computer
37. Briefly contrast the challenges and the opportunities for managers as they manage their companies in the current highly dynamic business environment and identify one company that has successfully managed to be profitable and how did it do it.
38. Diagram a company's external environment by analyzing two separate components: The General environment and the task environment. Analyze McDonald's general environment and task environment and how it functions in these sectors.

39. Critique the positions of the four components of the internal environment of a firm and their level of importance: Owners, Boards of Directors, Employees, and Culture.
40. How does corporate social responsibility and globalization create an impact on a firm's performance?

Chapter 2--The Business Environment **Key**

1. Which of the following is mentioned as a force that aided recovery from the recession of 2002-2003?
 - A. Economic growth was fueled by the emergence of China and India as global industrial powers.
 - B. The poor performance of many internet companies was offset by high performance by firms in the health care sector.
 - C. Terrorist attacks lead to an increased sense that internet companies were an important force in the economy.
 - D. All of these choices.
2. Which of the following actions which Johnson and Johnson engaged in is mentioned as one of the factors which enabled them to save their Tylenol brand after a poison scare in the 1980s?
 - A. J&J had an ethics credo which emphasized the importance of their customers.
 - B. J&J was very careful to keep media attention away from their company.
 - C. J&J pulled all versions of the Tylenol product from shelves nationwide.
 - D. J&J was able to identify the assailant that poisoned the Tylenol capsules and aid in bringing him to justice.
3. Which of the following statements is true about the Dow Jones Industrial average?
 - A. The companies that comprise the Dow Jones Industrial average represent an equal mix of service and manufacturing.
 - B. Only one company that was on the Dow Jones Industrial average in 1896 remained there in 2009.
 - C. Over time, the number of firms that are part of the Dow Jones Industrial average has decreased a great deal.
 - D. Firms have been removed from the Dow Jones Industrial average if they have been found the engage in unethical business practices which threaten customer safety
4. Which of the following represents part of a firm's general environment?
 - A. The technological environment
 - B. The sociocultural environment
 - C. The political/legal environment
 - D. All of these choices
5. Which of the following is true about a firm's task environment?
 - A. It includes the sociocultural environment surrounding the firm
 - B. It includes both competitors and suppliers
 - C. It is more important to firm performance than the general environment
 - D. It is relatively stable over time if a firm maintains its same product line

6. Health care legislation in the US is best conceptualized as an example of an influence from what aspects of a health care firm's environment?
- A. The sociocultural environment
 - B. The global environment
 - C.** The legal/political environment
 - D. The technological environment
7. The birth of the internet is an example of an influence of what aspect of a firm's environment?
- A. The sociocultural environment
 - B. The global environment
 - C. The legal/political environment
 - D.** The technological environment
8. Which of the following industries would be particularly vulnerable to forces in the economic environment?
- A.** The homebuilding industry
 - B. The healthcare industry
 - C. The grocery store industry
 - D. All of these choices are equally affected by changes in the economic environment
9. Congress has debated changed fuel efficiency standards in the US. If they pass a law that requires new cars to be more fuel efficient, this is an example of a force from what aspect of a firm's environment?
- A. The sociocultural environment
 - B. The global environment
 - C.** The legal/political environment
 - D. The technological environment
10. Which aspect of the external environment refers to demographic characteristics as well as the values and customs of a society?
- A.** The sociocultural environment
 - B. The global environment
 - C. The legal/political environment
 - D. The technological environment
11. Which of the following refers to group of individuals elected by the shareholders and charged with overseeing the general direction of the firm?
- A. Owners
 - B.** Board of Directors
 - C. Employee
 - D. Culture creators

12. An IT start-up firm lets employees come and go from work whenever they please as long as they get their work done. There is no formal dress code and employees and managers tend to dress very informally. These characteristics are would be indicators of what aspect of the firm's internal environment?
- A. Its union
 - B. Its board of directors
 - C. Its culture
 - D. Its employees
13. How did the Sarbanes-Oxley Act change the roles that individuals in a firm's internal environment have?
- A. It mandated the Board of Directors to prepare financial statements and ensure sound financial reporting
 - B. It required any employee who had suspicion that there was fraud in their firm to report this to the SEC or face criminal prosecution
 - C. It required all firms to conduct criminal background checks on key executives before hiring them to ensure they did not have criminal backgrounds
 - D. None of these choices
14. Which of the following is true about firm ownership in the United States?
- A. Individual shareholders typically wield greater influence over firms than institutional shareholders
 - B. Most businesses in the US are owned by a single person
 - C. Most employees in the US have some ownership in the firm they work for
 - D. To be considered an owner, an individual must oversee the day to day operations of the firm
15. Which of the following is true about a firm's culture?
- A. Firm cultures develop very quickly
 - B. Firm culture is often a by-product of the founder's personality
 - C. Firm cultures are stable over time
 - D. All of these choices
16. How have US firms been influenced by globalization of business?
- A. Firms face new competitors from overseas
 - B. Consumers benefit because the most efficient firms prosper
 - C. When firms cannot compete, jobs may be shipped overseas
 - D. All of these choices
17. Which stakeholders must managers concern themselves with due to increased interest in Corporate Social Responsibility?
- A. Shareholders only
 - B. Shareholders and the environment only
 - C. Shareholders, the environment, and the community
 - D. Managers no longer need to be concerned with stakeholders

18. A pharmaceutical firm's R&D studies show that a new pain medication, while highly effective at relieving pain, places individuals at high risk for a heart attack. Because of the effectiveness of the medication in pain relief, the firm is likely to sell a lot of medication, increasing profits and shareholder value. Despite this, the CEO decides not to market the product due to the health risk to patients. His decision is based on which of the following arguments for CSR?
- A. Moral responsibility
 - B. Sustainability
 - C. License to operate
 - D. Reputation
19. A real estate development firm would like to build a new shopping mall. They find an ideal location which is very accessible and likely to get a lot of traffic. However, the location currently has a very popular park and some homes which would have to be torn down. Members of the community are upset about the plans for the mall and contact the media to share their displeasure. The CEO is alarmed about this bad press and decides to look for a new location for the mall. Her decision is based on which of the following arguments for CSR?
- A. Moral responsibility
 - B. Sustainability
 - C. License to operate
 - D. Reputation
20. A firm's office manager decides to purchase the recycled paper for use in the copy machine, even though there is a less expensive brand that is not recycled. His decision is based on which of the following arguments for CSR?
- A. Moral responsibility
 - B. Sustainability
 - C. License to operate
 - D. Reputation
21. Johnson & Johnson used _____ to manage the media and maintain the public's trust during the 1970s.
- A. Pulling products from shelves
 - B. Replacing products if customer asked
 - C. Being transparent
 - D. Asking the FBI for help
22. Managers need _____ to navigate the business environment of the firm.
- A. Education
 - B. Tools
 - C. Communication
 - D. Leadership Training

23. The most difficult challenge for managers today is the ever changing ____.
- A. Customer needs
 - B. Governmental regulations**
 - C. Environment
 - D. Work force
24. G. E. has changed its major business efforts (75%) from ____ to ____ over the last 25 years.
- A. Manufacturing to services**
 - B. Manufacturing to communication satellites
 - C. Manufacturing to electronics
 - D. Electronics to computer technology
25. A firm's external environment is comprised of ____ components.
- A. 2**
 - B. 3
 - C. 4
 - D. 5
26. Technological and Global are elements of the ____.
- A. Task environment
 - B. Internal environment
 - C. External environment
 - D. General environment**
27. In 2010, Apple introduced the iPad which forces competing firms to change their ____.
- A. Business plans
 - B. Task environment
 - C. General environment**
 - D. Electronic chip suppliers
28. Target, Walmart, CVS, K-Mart are classified as ____ in the business environment.
- A. U.S. firms competing for global recognition
 - B. Global firms based in the U.S.
 - C. Use pharmacies to entice customers to shop in their stores**
 - D. Competitors for similar groups of customers
29. The ____ is the dimension that is made up of ____ components.
- A. General environment, 3.
 - B. General environment, 4.
 - C. Internal environment, 3.
 - D. Internal environment, 4.**

30. Owners of a firm maintain ____ control of the organization.
- A. Physical
 - B. Operational
 - C. Legal**
 - D. Organizational
31. McDonald's institutional stockholders have ____ influence over the company's strategies or management.
- A. Great
 - B. Little
 - C. No**
 - D. Partial
32. Union membership in the U.S. has been on a(n) ____ trend for many years.
- A. Upward
 - B. Downward**
 - C. Stable
 - D. Level with employment numbers
33. The culture of a company is ____ easily changed because it is based on ____.
- A. Very, bonuses and profits
 - B. Not, long term values**
 - C. Somewhat, owners' values
 - D. Not, consultants using training sessions.
34. Corporate Social Responsibility is the main function of the ____.
- A. Managers
 - B. Owners
 - C. Shareholders
 - D. It is not a main function, but part of the responsibility of all parties**
35. Trade barriers ____ economic growth as the world moves towards globalization.
- A. Increase
 - B. Decrease
 - C. Hinder**
 - D. Create healthy

36. Globalization began when ____ caused countries to think about economies and a country's economic potential.
- A. WW II
 - B. WW I
 - C. McDonald's
 - D. The invention of the personal computer
37. Briefly contrast the challenges and the opportunities for managers as they manage their companies in the current highly dynamic business environment and identify one company that has successfully managed to be profitable and how did it do it.

Opportunities for success can be found by developing tools to evaluate and navigate the business environment. Successful companies balance competing inward and outward forces. Challenges for managers include public mistrust, tight economic conditions, global competition, and a lack of dependence on the U.S. General Electric sold many of its poorly performing companies to invest in new innovations.

38. Diagram a company's external environment by analyzing two separate components: The General environment and the task environment. Analyze McDonald's general environment and task environment and how it functions in these sectors.

McDonald's General environment includes five sectors: Economic, Political/Legal, Socio-cultural, Global, and Technological. McDonald's suffered economically because of the recessionary environment and anemic consumer spending. McDonald's is facing heavy scrutiny in the political/legal areas because of its use of heavy fat foods. It is trying to deliver a healthier menu because of consumer and legal pressures. The socio-cultural factor is forcing McDonald's to consider society's changing attitude towards healthy food and living. Super sizing is not being practiced anymore. McDonald's has a global presence, but it is accused of hurting cultural identities in many countries. McDonald's has embraced technology by automating many of its cooking processes. High end coffee makers are being used to attract upscale coffee drinkers.

The task environment is comprised of Competitors, Suppliers, and Customers. Competitors are firms that create goods targeted at a similar group of customers. American car makers have seen dramatic shifts in competition from foreign car makers. China and India are beginning to enter all global markets in direct competition with American car makers. Suppliers help a firm with providing resources or services in the creation of products or services. McDonald's relies on many suppliers for the food products and McDonald's requires strict quality controls on the products.

39. Critique the positions of the four components of the internal environment of a firm and their level of importance: Owners, Boards of Directors, Employees, and Culture.

Owners are involved in both private and public companies. Public company shareholders may have more power than the owners because of the number of shares sold to the public. Boards of Directors are elected by the shareholders. Today, more boards are under scrutiny because of past scandals. Employees might be the most important part of a company. These people make the products that allow the firm to exist. A company's culture develops over a long period of time. It is very important for attracting, developing, and retaining a competent workforce.

40. How does corporate social responsibility and globalization create an impact on a firm's performance?

Managers today must feel a responsibility to the actions of the company and how the company processes affect the environment. Customers are beginning to buy from companies that promote good CSR. The company should have a good moral authority that balances interests of the shareholder with the community where it operates. Globalization has opened new markets for companies and this helps keep people working. Managers must now compete with global markets, not just American markets.