# *BUSN 12th edition Kelly Test Bank*

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Name:_____ Class:_____ Date:_____

**Chapter 01: Business Now: Change Is the Only Constant**

**True / False**

1. Value is the relationship between the price of a good or a service and the benefits that it offers its customers.
   a. True
   b. False
*ANSWER:* True

2. Millennials outnumber digital natives by one million people.
   a. True
   b. False
*ANSWER:* False

3. Digital natives typically only spend when a business offers them value.
   a. True
   b. False
*ANSWER:* True

4. When business drives up the standard of living for people worldwide, it contributes to a higher quality of life.
   a. True
   b. False
*ANSWER:* True

5. In the context of the history of American business, the Industrial Revolution era encouraged workers to take individual ownership and personal pride in the production process.
   a. True
   b. False
*ANSWER:* False

6. During the production era, managers focused mostly on customer satisfaction and not on production efficiency.
   a. True
   b. False
*ANSWER:* False

7. In the context of the history of American business, the "hard sell" emerged during the relationship era of marketing.
   a. True
   b. False
*ANSWER:* False

8. In the United States, nonprofits employ about one in 100 workers, accounting for less paid workers than the entire construction industry and less than the finance, insurance, and real estate sectors combined.
   a. True
   b. False
*ANSWER:* False

9. People can create natural resources by growing and harvesting agricultural products.

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a. True
b. False
*ANSWER:* False

10. The value of all natural resources tends to rise with low demand, high supply, or both.
a. True
b. False
*ANSWER:* False

11. Capital, one of the factors of production, includes machines, tools, buildings, information, and technology.
a. True
b. False
*ANSWER:* True

12. The physiological environment is a key dimension of the business environment.
a. True
b. False
*ANSWER:* False

13. The central banking system of the United States is the Federal Reserve.
a. True
b. False
*ANSWER:* True

14. The significance of the social dimension of a business environment is highlighted by the fact that a number of states—from Alabama to Nevada—make their local economies more appealing by providing special tax deals to attract new firms.
a. True
b. False
*ANSWER:* False

15. In the context of the competitive environment of business, a product has value when its benefits to the customer are less than the price the customer pays.
a. True
b. False
*ANSWER:* False

16. Speed-to-market is the rate at which a company's competitors copy that company's product innovations.
a. True
b. False
*ANSWER:* False

17. In the context of the competitive environment of business, unlike leading-edge firms, bleeding-edge firms offer products just as the market becomes ready to embrace them.
a. True
b. False

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*ANSWER:* False

18. The traditional retirement age in the United States is 60.
    a. True
    b. False
*ANSWER:* False

19. Online technology prevents leading-edge companies from offering customized products at prices that are comparable to standardized products.
    a. True
    b. False
*ANSWER:* False

20. Demographic factors include the milestones achieved during the developments in the field of computers, telecommunications, and other digital products.
    a. True
    b. False
*ANSWER:* False

21. In the context of the diversity in the American population, Whites continue to represent the largest chunk of the population at 60%.
    a. True
    b. False
*ANSWER:* True

22. In the context of your career choice, the broader economy will influence the level of your personal financial success.
    a. True
    b. False
*ANSWER:* True

23. In the context of your career choice, your own business skills cannot influence the level of your personal financial success.
    a. True
    b. False
*ANSWER:* False

24. In the context of career choices, less-routine abilities tend to be more rewarding for most people than routine skills.
    a. True
    b. False
*ANSWER:* True

25. In the context of making a career choice, following one's passion guarantees a fat paycheck.
    a. True
    b. False
*ANSWER:* False

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**Multiple Choice**

26. Which of the following statements is true of successful firms?
    a. They overlook the overall sense of well-being experienced by their customers.
    b. They focus on the price of a good rather than on the benefits offered.
    c. They deliver unsurpassed value to their customers.
    d. Their core goal is to generate short-term profits.

*ANSWER:* c

27. Which of the following is a difference between the millennial generation and Generation Z?
    a. Unlike the millennial generation, Generation Z is comprised of people born between 1980 and 1995.
    b. Unlike the millennial generation, Generation Z tends to be extremely tolerant and inclusive.
    c. Unlike the millennial generation, Generation Z approaches adulthood planning to work for success.
    d. Unlike the millennial generation, Generation Z feels entitled to a great job after college graduation.

*ANSWER:* c

28. Which of the following can be considered a business?
    a. Bane's, a state-funded firm that specializes in providing free consultations for at-risk children
    b. Maddox, a private charity organization that donates clothes and canned goods to the homeless
    c. Divas, an online store that offers discounted prices on designer shoes
    d. Dalila, a federal agency that establishes and enforces environmental regulations

*ANSWER:* c

29. McNair and Nelly run a pawnshop in their neighborhood. They offer loans to individuals in exchange for items of equal or higher value, which are used as collateral. If an individual is unable to repay the loan, McNair and Nelly then sell these items at higher rates. In this scenario, McNair and Nelly's pawnshop is an example of a _____.
    a. subsidy
    b. nonprofit organization
    c. business
    d. charity

*ANSWER:* c

30. Which of the following statements is true of profit in a business?
    a. It is the difference in the number of customers served between two financial years.
    b. It is the financial reward that comes from starting and running a business.
    c. It is the difference between the stock at the start and end of an inventory reporting period.
    d. It is estimated by calculating the total interest amount due when a business has availed multiple loans.

*ANSWER:* b

31. What occurs when a business brings in less money than it needs to cover expenses?
    a. Deferral
    b. Loss
    c. Depreciation
    d. Bondage

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*ANSWER:* b

32. Which of the following is a characteristic of entrepreneurs?
    a. They believe in creating wealth for the underprivileged rather than for themselves.
    b. They start a business so that no form of loss is incurred.
    c. They have little or no impact on other people in society.
    d. They risk their time, money, and other resources to start and manage their business.

*ANSWER:* d

33. Dai, along with Maddy and Rafe, have decided to start a new jewelry business. Dai invests her time, money, and efforts in the project, and she directly manages the business development process. In this scenario, Dai is most likely a(n) _____.
    a. franchisor
    b. entrepreneur
    c. client
    d. fundraiser

*ANSWER:* b

34. In the context of the history of American business, which of the following statements is true of the industrial revolution?
    a. Firms aimed at building long-term relationships with their customers.
    b. There was a loss of personal pride in the production process.
    c. Production efficiency was at its lowest.
    d. There was a creation of individual ownership in the production process.

*ANSWER:* b

35. Terrence, a glassblower, used to own a workshop in the 1750s where he made hand-blown glass bottles of high quality. However, due to technological advances, glass bottles started being mass-produced in factories, and Terrence's business began to decline. Given this information, it can be assumed that Terrence belonged to the _____.
    a. relationship era
    b. production era
    c. digital revolution era
    d. industrial revolution era

*ANSWER:* d

36. In the context of the history of American business, the _____ emerged in the second half of the 1800s, building on the foundation of the industrial revolution.
    a. entrepreneurship era
    b. relationship era
    c. marketing era
    d. production era

*ANSWER:* a

37. In the context of the history of American business, which of the following occurred during the entrepreneurship era?
    a. The balance of power shifted away from producers and toward consumers.

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b. The internet and other digital resources were used to gather detailed information about customers to serve them better.
c. Industrial titans created enormous wealth that raised the overall standard of living across the country.
d. The introduction of specialized jobs increased productivity, resulting in lowered costs.

*ANSWER:* c

38. In the context of the history of American business, during the entrepreneurship era, _____.
a. many industrial titans forced out their competitors
b. large-scale entrepreneurs failed to dominate their markets
c. the overall standard of living across the country declined rapidly
d. the balance of power shifted from producers and toward consumers

*ANSWER:* a

39. In the context of the history of American business, which of the following statements is true of the entrepreneurship era?
a. Industrial titans exploited workers and decimated the environment.
b. Large-scale entrepreneurs failed to dominate their markets.
c. The overall standard of living across the country declined rapidly.
d. The balance of power shifted from producers and toward consumers.

*ANSWER:* a

40. Joseph Green, the owner of an oil company in the 1860s, started gaining more influence and money as his business started to flourish, to a point where he began controlling the entire southeastern half of the U.S. oil services. He followed a ruthless and cunning business strategy that involved exploiting workers and decimating the environment. In the context of the history of American business, Joseph Green most likely belonged to the _____.
a. entrepreneurship era
b. production era
c. marketing era
d. relationship era

*ANSWER:* a

41. In the context of the history of American business, during the _____, jobs became more specialized, increasing productivity and lowering costs and prices.
a. entrepreneurship era
b. production era
c. marketing era
d. relationship era

*ANSWER:* b

42. In the context of the history of American business, which of the following statements is true of the production era?
a. Major businesses focused on shifting the balance of power from producers and toward consumers.
b. The method of hard sell was eliminated.
c. The assembly line became standard across major manufacturing industries.
d. Leading-edge firms looked beyond each immediate transaction with a customer and aimed at building a long-term relationship.

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*ANSWER:* c

43. Jackson Motors, an automobile manufacturing company, was founded in 1914. The company primarily focused on creating greater efficiencies by refining its processes and creating specialized jobs. This allowed the company to increase its output and lower the prices of its products. As a result, automobiles became an affordable commodity. In the context of the history of American business, Jackson Motors was most likely founded during the _____.

a. digital information era
b. entrepreneurship era
c. marketing era
d. production era

*ANSWER:* d

44. In the context of the history of American business, which of the following statements is true of the marketing era?

a. Skilled artisan workshops were replaced by huge factories.
b. Major businesses focused on refining the production process and creating greater efficiencies.
c. Large-scale entrepreneurs dominated the market and raised the standard of living across the country.
d. The balance of power shifted away from producers and toward customers.

*ANSWER:* d

45. In the context of the history of American business, during the _____, businesses began to develop distinctive identities to help customers understand the differences among various products.

a. industrial revolution
b. entrepreneurship era
c. marketing era
d. relationship era

*ANSWER:* c

46. Cal's Hardware, a home and hardware company, was established post-World War II with the aim of catering to the demands of consumers looking for access to the best quality tools for any job. To differentiate itself from its competitors, the company developed a distinctive identity as the producer of quality tools. In the context of the history of American business, Cal's Hardware was most likely established during the _____.

a. production era
b. marketing era
c. industrial revolution era
d. entrepreneurship era

*ANSWER:* b

47. Which of the following approaches, which emerged during the marketing era, continues to influence business decisions today as global competition heats up to unprecedented heights?

a. A consumer focus that permeates successful companies in every department, at every level
b. A focus on aggressive persuasion designed to separate consumers from their cash
c. A narrow focus on using digital resources to gather customer information
d. A focus on increasing profits that results in a high standard of living for people across the country

*ANSWER:* a

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48. In the _____, leading-edge firms look beyond each immediate transaction with a customer and aim to build long-term ties.

a. marketing era
b. entrepreneurship era
c. relationship era
d. production era

*ANSWER:* c

49. White Slopes Retreat is a ski resort in Colorado. The members of the marketing department of the resort work hard to develop long-term associations with the resort's customers. At the end of their stay, they survey customers about their stay and offer free ski gear rentals on their next visit. In the context of the history of American business, the marketing department is most likely using concepts that were popularized during the _____.

a. entrepreneurship era
b. production era
c. relationship era
d. technology era

*ANSWER:* c

50. A small-scale start-up in England is struggling financially because it is unable to generate enough capital to run its business transactions. To generate capital, the firm decides to use online websites, social media, and other digital resources to build long-term associations with current customers and to reach out to new customers. In this scenario, the firm is using concepts that primarily originated in the _____ of American business history.

a. entrepreneurship era
b. relationship era
c. production era
d. industrial era

*ANSWER:* b

51. Valentino, a chain of jewelry stores, uses social media for advertising purposes. It also maintains a dedicated interactive website where customers write reviews and discuss their experiences shopping at the store. In the context of the history of American business, Valentino most likely belongs to the _____.

a. relationship era
b. entrepreneurship era
c. production era
d. industrial revolution era

*ANSWER:* a

52. In the context of the relationship era, leading-edge firms believe that _____.

a. seeking new customers is more profitable than cultivating current customers
b. closely focusing on each immediate transaction with a customer is more likely to be profitable than building long-term relationships
c. satisfied customers can promote their business with more speed than promotional campaigns
d. using digital resources to gather customer data can hinder their quality of service

*ANSWER:* c

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53. Which of the following is a business-like establishment that employs people and produces goods and services with the fundamental goal of contributing to the community rather than generating financial gain?
a. Charity
b. Corporation
c. Nonprofit
d. Political organization
*ANSWER:* c

54. Which of the following statements is true of nonprofit organizations?
a. They are usually in the business of financial gains.
b. They employ people and take in revenue.
c. They do not produce goods and services.
d. They are not business-like establishments.
*ANSWER:* b

55. Nonprofit organizations _____.
a. are usually in the business of financial gain
b. do not contribute to a region's economic stability and growth
c. account for more paid workers than the entire construction industry
d. are not business-like establishments
*ANSWER:* c

56. Which of the following is an example of a nonprofit organization?
a. Alwins, a regional grocery store that sells locally sourced, organic food
b. Nage, a community museum that is funded by a trust and is free for public use
c. Raven, a home goods magazine publication that sells magazines at low prices and issues free subscriptions to consumers who are yearly subscribers
d. Baba, a local bookstore that sells a collection of books in the STEM field
*ANSWER:* b

57. Jadyn's House of Java is a coffee shop that specializes in preparing delicious coffee blends. The company donates most of its earnings to local animal shelters and keeps just enough to buy raw materials. The primary goal of the company is to contribute to the care and treatment of animals needing protection. In this scenario, Jadyn's House of Java would most likely be classified as a _____.
a. political organization
b. paper organization
c. nonprofit organization
d. corporation
*ANSWER:* c

58. In the context of the factors of production, which of the following is a natural resource?
a. A piece of equipment
b. Land
c. An investment
d. Information

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*ANSWER:* b

59. Purple Gems sells ornate jewelry made from rare jewels. The store is most famous for its use of the Tanzanite gemstones from northern Tanzania. In this scenario, the gemstones obtained by Purple Gems can be classified as _____.

a. human resources
b. capital resources
c. natural resources
d. manmade resources

*ANSWER:* c

60. Macia, a lumber company, imports lumber from Gaiwan lumber mill in Canada. In this scenario, the lumber obtained by Macia can be classified as _____.

a. natural resources
b. manmade resources
c. human resources
d. capital resources

*ANSWER:* a

61. Five Metals is a manufacturer of bronze sculptures. It obtains copper ore from Bingham Canyon in Utah. In this scenario, the copper ore obtained by Five Metals can be classified as _____.

a. human resources
b. capital resources
c. natural resources
d. manmade resources

*ANSWER:* c

62. Rahul & Co. sells premium quality wine. The company owns 400 acres of land on which it has established a vineyard with a winery. In this scenario, the land owned by Rahul & Co. can be classified as _____.

a. manmade resources
b. capital resources
c. human resources
d. natural resources

*ANSWER:* d

63. Which of the following is an example of capital?

a. Copper used to make wiring for an electrical company
b. A truck used to transfer tools from one place to another for a construction company
c. Cotton used to make fabric for a clothing company
d. An accountant who analyses financial accounts for a marketing firm

*ANSWER:* b

64. In the context of the factors of production, which of the following statements is true of natural resources?

a. They are also referred to as manmade resources.
b. They do not require extraction, purification, or harnessing.

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c. Cereal crops are an example of natural resources.
d. The value of all natural resources tends to rise with high demand.

*ANSWER:* d

65. In the context of the factors of production, the value of all natural resources tends to _____.
a. rise with high demand, low supply, or both
b. fall when the demand is high, irrespective of the rate of supply
c. fall when the supply is low, irrespective of the rate of demand
d. rise with low demand, high supply, or both

*ANSWER:* a

66. In the context of the factors of production, the synthetic resources that a business needs to produce goods or services are referred to as _____.
a. nonprofits
b. the hard sell
c. capital
d. depositories

*ANSWER:* c

67. In the context of the factors of production, which of the following statements is true of capital?
a. It includes all inputs that offer value in their natural state.
b. It does not include money.
c. It involves the creative contributions of people working within an economy.
d. It is not a fundamental resource for nonprofits.

*ANSWER:* b

68. A university has contracted a construction company to build a dining hall for its new campus. In the context of the factors of production, the heavy machinery and equipment used by the contractor in the construction process are referred to as _____.
a. equity
b. human resources
c. natural resources
d. capital

*ANSWER:* d

69. Golden Ore Bank has 400 automated teller machines (ATMs) across the country. Customers can use these machines to perform several actions like withdrawing money, depositing money, checking their account balances, and transferring money to other accounts. These machines enable Golden Ore Bank to carry out some of its operations smoothly. In the given scenario, the ATMs of Golden Ore Bank can be classified as _____.
a. natural resources
b. capital
c. human resources
d. equity

*ANSWER:* b

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70. Waldina, a sneaker company, owns 30 factories that produce shoelaces. The company has 2,300 employees working in shifts. In this scenario, the factories owned by Waldina can be classified as _____.

a. equity
b. human resources
c. capital
d. natural resources

*ANSWER:* c

71. Padma, the Director of People at Bullseye, is responsible for recruiting, hiring, and training employees. In the context of the given scenario, Padma can be classified as a _____.

a. factor of production
b. mode of capital
c. loyal advocate
d. cause-related marketer

*ANSWER:* a

72. In the context of the factors of production, which of the following statements is true of human resources?

a. It includes all inputs that offer value in their natural state.
b. It includes synthetic resources that businesses need to produce goods.
c. It involves the creative contributions of people working within an economy.
d. It involves a group of people who take the risk of operating their own company.

*ANSWER:* c

73. Astro Academy is a day camp for children to learn about space. It advertises that there is one counselor for every five children and that several other highly trained professionals are part of its staff. Astro Academy advertisements indicate that the program relies heavily on its _____ factor to provide its services.

a. natural resources
b. human resources
c. entrepreneurship
d. capital

*ANSWER:* b

74. A coal mining company has employed around 250 miners who work 8-hour shifts every day. In the context of the factors of production, the miners can be classified as _____.

a. capital
b. natural resources
c. entrepreneurs
d. human resources

*ANSWER:* d

75. Tracy's Toys is a toy manufacturing company that employs 1,000 workers to create handmade toys for children. In the context of the factors of production, the employees of Tracy's Toys can be classified as _____.

a. human resources
b. entrepreneurs
c. capital

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d. natural resources

*ANSWER:* a

76. Lalo is a data analyst at a finance company. He is highly regarded by his peers and supervisors, who always seek his advice while making important decisions for the company. In this scenario, Lalo can be classified as a(n) _____.

a. capital good

b. human resource

c. entrepreneur

d. natural resource

*ANSWER:* b

77. In the context of the factors of production, which of the following statements is true of entrepreneurs?

a. They are people who write and establish government policies.

b. They avoid taking the risk of launching and operating their own businesses.

c. They thrive in an environment that supports economic freedom.

d. They are rarely motivated by any profit incentive to run a business.

*ANSWER:* c

78. High taxation, excess regulation, and limited choices in a business environment are likely to result in a(n) _____.

a. decrease in entrepreneurial activities

b. increase in the level of personal freedom

c. increase in global trading

d. social crisis

*ANSWER:* a

79. In the context of the factors of production, which of the following is most likely to result in a decrease in entrepreneurial activities?

a. High taxation

b. Limited regulation

c. An increase in global trading

d. Private ownership of the means of production

*ANSWER:* a

80. In the context of the factors of production, which of the following is an entrepreneurial "must"?

a. Abundant availability of natural resources

b. Excess and strict government regulation

c. An increase in global trading

d. Protection from corruption

*ANSWER:* d

81. Lakelyn and Sadler want to start a dance company that would provide local children with a space to learn and practice their talents. Lakelyn and Sadler are willing to invest their own resources in this project. In the context of the factors of production, the given scenario exemplifies the concept of _____.

a. deployment

b. entrepreneurship

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c. situational analysis
d. capital creation

*ANSWER:* b

82. Ogden plans to start a prosthetic company to help physically challenged people obtain prosthetics at affordable prices. He researches and develops a cost-effective way of crafting durable prosthetics. In the context of the factors of production, the given scenario exemplifies the concept of _____.

a. capital creation
b. deployment
c. situational analysis
d. entrepreneurship

*ANSWER:* d

83. Tadita is struggling to run her start-up in her local area because local trade associations have established strict codes of conduct regarding the certification, accreditation, and insurance obligations for businesses. In the context of economic freedom in a business environment, which of the following is adversely affecting Tadita's start-up?

a. A lack of freedom of production
b. A lack of freedom of staffing
c. Excessive regulation
d. Excessive taxation

*ANSWER:* c

84. Russia and China are both rich in natural and human resources, and both countries have a solid level of capital. Both China and Russia rank relatively low in terms of gross national income per person. The missing ingredient seems to be _____.

a. synthetic resources
b. taxable income
c. workforce
d. entrepreneurship

*ANSWER:* d

85. Despite having a small population and severely limited natural resources, Hong Kong has consistently ranked among the richest regions in Asia. The prime reason behind this is _____.

a. the active encouragement of entrepreneurship by the government
b. the imposition of excessive and strict regulations by the government
c. the imposition of embargoes on Hong Kong by other nations
d. the presence of communism

*ANSWER:* a

86. Which of the following dimensions of a business environment is specifically highlighted when stock markets lose a major portion of their value and when huge, venerable institutions collapse financially?

a. The social environment
b. The technological environment
c. The cultural environment
d. The economic environment

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*ANSWER:* d

87. Despite the economic crisis caused by the COVD-19 pandemic, research suggests that _____.
a. the government will most likely increase the federal tax rate, both for individuals and businesses
b. upcoming regulations will look toward eliminating enforceable contracts
c. housing prices are still likely to reach a record high
d. most budding entrepreneurs still plan to launch their firms in the next three years

*ANSWER:* d

88. When the government takes steps to reduce the risks of starting and running a business, it is most likely to result in _____.
a. public ownership of the means of production
b. ethical lapses
c. low levels of bribery
d. an increase in free enterprises

*ANSWER:* d

89. When Tabitha wanted to start a new online car rental service, she was skeptical about investing in it because of the financial crisis in her country. However, she was put at ease after learning about the government's policy of levying low federal taxes on startup businesses. In this context, which dimension of the business environment is affected the most?
a. The technological environment
b. The social environment
c. The economic environment
d. The competitive environment

*ANSWER:* c

90. The Federal Trade Commission _____.
a. regulates interstate and international communications
b. regulates financial institutions
c. actively promotes fair competitive practices
d. works to eliminate employment discrimination

*ANSWER:* c

91. Wakako, a clothing manufacturing company, signed a contract with Colby Cotton, a textile company, to receive 3 million pounds of yarn at a rate of $1 per pound. However, Colby Cotton hikes up the price to $3 per pound just before the day of delivery. Wakako files a lawsuit against Colby Cotton for breaking an enforceable contract and receives $150 million in compensation. In this context, which dimension of the business environment is affected the most?
a. The economic environment
b. The technological environment
c. The social environment
d. The political environment

*ANSWER:* a

92. Pace and Palacios, a law firm, is infamous for influencing witnesses with the use of bribes. Because of this corruption, the law firm has won many cases that it would have otherwise lost. In this context, which dimension of the business

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environment is affected the most?

a. The political environment
b. The global environment
c. The technological environment
d. The economic environment

*ANSWER:* d

93. Which of the following statements is true of the economic environment of a business?

a. It is affected by customer satisfaction.
b. It reduces the hassles associated with acquiring manpower.
c. It is affected by corruption.
d. It prevents customers from turning into loyal advocates.

*ANSWER:* c

94. In the context of the economic environment of business, which of the following is most likely to reduce the risks of running a business?

a. A high federal tax rate
b. Legislation that contradicts enforceable contracts
c. A low level of corruption
d. Absence of government agencies dedicated to monitoring business practices

*ANSWER:* c

95. In the context of the economic environment of business, which of the following will most likely increase the cost of doing business for everyone involved?

a. Ethical lapses
b. Enforceable contracts
c. A low level of corruption
d. A high level of competition

*ANSWER:* a

96. Vroom Co., a ride share service agency, employs a strict code of conduct that is aimed at minimizing unethical practices within the company. The policy describes the actions that would be taken against anyone who violates the company rules. This ensures that the business faces minimal risk. In this context, which dimension of the business environment is affected the most?

a. The technological environment
b. The economic environment
c. The political environment
d. The global environment

*ANSWER:* b

97. Leading-edge companies have focused on customer satisfaction, with a goal to develop long-term, mutually beneficial relationships with customers. Which of the following dimensions of a business environment does this illustrate?

a. The economic environment
b. The global environment
c. The social environment

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d. The competitive environment

*ANSWER:* d

98. Sassy Turtle, a clothing boutique, offers personalized customer service in its store and engages in post-purchase surveys to take feedback from its customers. It also gives promo codes with customized messages to its customers on their birthdays. The company values the importance of building long-term customer relationships. In this context, which dimension of the business environment is affected the most?

a. The competitive environment
b. The legal environment
c. The technological environment
d. The political environment

*ANSWER:* a

99. Rest & Relax, a local spa, focuses on customer satisfaction and building long-term relationships with customers. The firm ensures that customers are provided with high-quality services, and a feedback survey is conducted after every customer visit. It also provides its members with seasonal discounts and points every time they use any of the spa's services. In this context, which dimension of the business environment is affected the most?

a. The political environment
b. The technological environment
c. The competitive environment
d. The global environment

*ANSWER:* c

100. In the context of the dimensions of the business environment, which of the following is true of the competitive environment?

a. Getting current customers to buy more of one's products is very expensive for a firm.
b. Convincing potential customers to try one's products for the first time can be quite easy for a firm.
c. Unlike current customers, potential customers can be turned into loyal advocates.
d. Vocal promoters of a firm's products can get the firm new customers effectively.

*ANSWER:* d

101. Auberon, a restaurant specializing in German cuisine, focuses solely on customer satisfaction. It allows patrons to customize the ingredients of their meals and gives a free meal voucher if their meal is unsatisfactory. The restaurant also has a voluntary service charge policy. In this context, which dimension of the business environment is affected the most?

a. The global environment
b. The political environment
c. The technological environment
d. The competitive environment

*ANSWER:* d

102. In the context of the competitive environment of business, customer satisfaction comes in large part from _____.

a. using a price skimming strategy
b. using a high/low pricing strategy
c. offering discounts on products without warranty
d. delivering unsurpassed value

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**Chapter 01: Business Now: Change Is the Only Constant**

*ANSWER:* d

103. In the context of customer satisfaction, a product has value when _____.
a. it is purchased through deals offered at retail stores
b. its impact on the environment is negligible and its carbon footprint is zero
c. it is bought at the lowest available price
d. its benefits to the customer are equal to or greater than the price that the customer pays

*ANSWER:* d

104. In the context of the competitive environment of business, what is the rate at which a new product moves from conception to commercialization?
a. power-to-cost
b. speed-to-market
c. on-site prototyping
d. market base flow

*ANSWER:* b

105. In the context of the competitive environment of business, which of the following can be a key source of competitive advantage?
a. A cost-to-serve analysis
b. Speed-to-market
c. Greenwashing
d. Reserved banking

*ANSWER:* b

106. Ten Decimal Inc. is a leading laptop manufacturer which recently launched the Dec-1 model. Even before the sales of the Dec-1 model could reach their peak, the company launched the next version, Dec-2. Dec-2 overtook the sales of the Dec-1 model and also sales of its competitors' products. This helped Ten Decimal Inc. to maintain its position as a leading-edge laptop manufacturer. This scenario demonstrates the importance of _____ as a key source of competitive advantage.
a. speed-to-market
b. power-to-cost
c. event chain methodology
d. elemental cost planning

*ANSWER:* a

107. When Nakos, a technology solutions company, started producing smartphones in the mid-1900s, it faced severe losses because of the lack of a market for its product. Given this information, it can be concluded that Nakos _____.
a. was a bleeding-edge firm
b. used the concept of fast-laning
c. had a low speed-to-market
d. was a leading-edge firm

*ANSWER:* a

108. Balaniki, a media company, entered the streaming service industry only after conducting a thorough survey of the

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potential customer base. Balaniki waited for eight years before introducing its unique service—the first interactive short series—in the market. It introduced this product after ensuring that it would be embraced by the customers. In this scenario, Balaniki _____.

a. has a high speed-to-market
b. is a leading-edge firm
c. uses the concept of fast-laning
d. is a bleeding-edge firm

*ANSWER:* b

109. Jae-Seong is the regional manager of Tasty Treats, a packaged food company. He is respected by his peers and subordinates for his immense knowledge and skills. Jae-Seong decides to quit the company for a higher position at another firm. The CEO of Tasty Treats entices him with a competitive compensation package and promotion because he knows that Jae-Seong is an important resource. The given scenario most likely exemplifies the concept of _____.

a. free trade
b. blurred retirement
c. workforce advantage
d. social responsibility

*ANSWER:* c

110. In the context of the workforce advantage in the business environment, as the baby boom generation begins to retire, which of the following will likely become a crucial competitive issue in the next decade?

a. Profitable implementation of speed-to-market strategies
b. Successful use of digital resources to find customer data
c. Finding and holding the best talent
d. Increasing dysfunctional employee turnover

*ANSWER:* c

111. In the context of the workforce advantage in the business environment, finding and holding the best talent will likely become a crucial competitive issue in the next decade as the baby boom generation begins to retire. However, job market contraction may not be an issue, because _____.

a. baby boomers include about 47 million people, while the generation that follows includes 77 million
b. baby boomers contribute to dysfunctional turnover, which is likely to reduce after they retire
c. reverse mentoring can ensure that young employees are properly trained by baby boomers
d. many baby boomers opt to postpone retirement in the face of inadequate financial resources

*ANSWER:* d

112. Which of the following is a key dimension of the business environment?

a. The communal environment
b. The physiological environment
c. The technological environment
d. The political environment

*ANSWER:* c

113. In the context of the business environment, computers, telecommunications, and other digital tools are considered to be part of the _____.

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a. economic environment
b. social environment
c. cultural environment
d. technological environment

*ANSWER:* d

114. Which of the following statements is true of the technological environment of business?
a. It helps firms that find it difficult to integrate new approaches.
b. The rise of digital networks hinders individualized buying experience.
c. It is beneficial for firms that are slow to adopt new innovations.
d. It represents a rich source of competitive advantage for fast-moving firms.

*ANSWER:* d

115. Sade Bank, a private bank, introduced internet banking facilities for its customers after the government demonetized hundred dollar bills. Customers who were reluctant to use credit cards for their daily purchases were enthusiastic about this new option. In this context, which dimension of the business environment is affected the most?
a. The social environment
b. The technological environment
c. The political environment
d. The global environment

*ANSWER:* b

116. Combs, a warehouse club, introduces a new mobile application that allows its customers to make online purchases. It also shows available products at every Combs store in the area for customers who wish to collect the products themselves. In this context, which dimension of the business environment is affected the most?
a. The global environment
b. The political environment
c. The social environment
d. The technological environment

*ANSWER:* d

117. Coe Blu, a boutique hotel, has hotel rooms with interactive tablets in them. The visitors can order their room service, find local tourist spots, and provide detailed instructions for housekeeping using these tablets. In this context, which dimension of the business environment is affected the most?
a. The technological environment
b. The political environment
c. The global environment
d. The social environment

*ANSWER:* a

118. Loving Memories, a wedding planning agency, wants to widen its customer base. It adopts a strategy that allows customers to visit their top preferences for wedding venues through a virtual reality (VR) machine before visiting the place in person. In this context, which dimension of the business environment is affected the most?
a. The social environment
b. The technological environment

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c. The political environment
d. The global environment

*ANSWER:* b

119. Qiana Scuba Academy uses scuba simulation games to train its students in the basics of diving. It uses these games to make its students more effective and efficient. In addition, it also offers 12 months of scuba training. In this context, which of the following dimensions of the business environment is affected the most?

a. The global environment
b. The economic environment
c. The social environment
d. The technological environment

*ANSWER:* d

120. In the context of the business environment, the creation of the World Wide Web is considered a component of the _____.

a. economic environment
b. social environment
c. cultural environment
d. technological environment

*ANSWER:* d

121. Brooks, a local grocery store chain, is the first in the city to launch an online shopping website. Its website allows customers to select required products and collect them from the nearest Brooks grocery store. In this context, which of the following dimensions of the business environment is affected the most?

a. The ethical environment
b. The social environment
c. The technological environment
d. The global environment

*ANSWER:* c

122. In the context of the technological environment of business, which of the following statements is true of e-commerce?

a. Connecting a business's digital networks with its suppliers results in an inefficient flow of goods.
b. It has eliminated the individualized buying experience for consumers.
c. Business-to-business selling comprises the vast majority of total e-commerce sales.
d. It excludes the provision of consultation services through websites or online portals.

*ANSWER:* c

123. In the context of the technological environment of business, which of the following statements is true of online technology?

a. It restricts leading-edge firms by allowing them to offer generalized products rather than customized ones.
b. Alternative selling strategies give rise to a more individualized buying experience.
c. Business-to-consumer selling comprises the vast majority of total e-commerce sales.
d. It prohibits the provision of consultation services through websites or online portals.

*ANSWER:* b

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**Chapter 01: Business Now: Change Is the Only Constant**

124. Which of the following dimensions of the business environment embodies the values, attitudes, customs, and beliefs shared by groups of people?

a. The economic environment
b. The technological environment
c. The competitive environment
d. The social environment

*ANSWER:* d

125. Jae's Tacos, a fast food chain, wants to expand its customer base. It introduces a new range of gluten free tacos to cater specifically to the gluten free market. In this context, which dimension of the business environment is affected the most?

a. The social environment
b. The ethical environment
c. The technological environment
d. The political environment

*ANSWER:* a

126. Which of the following dimensions of the business environment covers the measurable characteristics of a population?

a. The economic environment
b. The technological environment
c. The competitive environment
d. The social environment

*ANSWER:* d

127. In the context of the social environment dimension of business, _____ is the measurable characteristics of a population.

a. public relations
b. demographics
c. speed-to-market
d. the hard sell

*ANSWER:* b

128. Which of the following factors is most likely to be covered by the social environment of business?

a. Population size
b. Bank interest rates
c. Virtual traffic
d. Federal tax laws

*ANSWER:* a

129. Fabian, a packaged food company, solely manufactures food products that cater specifically to the Indian community in the United States. However, after facing stagnation in sales, the company starts manufacturing other products that contain beef to cater to the whole community. Which of the following dimensions of the social environment does this scenario exemplify?

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a. Ethics
b. Age
c. Diversity
d. Social responsibility

*ANSWER:* c

130. Palmer Textiles, a men's fashion retail store, is renowned for offering designer clothes for Latino Americans. However, it introduces a new line of designer clothing that especially caters to young African Americans to widen its customer base. Which of the following dimensions of the social environment is highlighted in this scenario?

a. Age
b. Diversity
c. Social responsibility
d. Ethics

*ANSWER:* b

131. Padma Purses, a bag company, designs formal and casual handbags for American women. However, to increase its customer base, it introduces a line of handbags for Asian-born women living in the United States, even though they form only a small market in the country. Which of the following dimensions of the social environment does this scenario exemplify?

a. Social responsibility
b. Age
c. Ethics
d. Diversity

*ANSWER:* d

132. Omega, an interactive media company, hires people from various cultural and social backgrounds. This allows the company to enjoy a competitive advantage by developing innovative products that serve a wide customer base. Which of the following dimensions of the social environment does this scenario exemplify?

a. Ethics
b. Social responsibility
c. Diversity
d. Age

*ANSWER:* c

133. In the context of the social environment of business, which of the following is likely to happen as the American population rapidly ages?

a. Companies with older employees are less likely to find innovative ways to reach the aging consumer market.
b. Companies in fields such as healthcare, pharmaceuticals, and travel will clearly decline.
c. With a smaller labor pool, companies will not need to compete for top talent.
d. Creative companies will reimagine their current products to serve older clients.

*ANSWER:* d

134. As lifespans increase and birth rates decrease, the American population is rapidly aging. This will most likely lead to _____.

a. an increase in taxes as state and federal governments stretch to serve the aging population

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b. a decline of companies in fields such as healthcare, pharmaceuticals, and financial management
c. a decrease in competition among companies to recruit top talent
d. an increase in the size of the consumer market

*ANSWER:* a

135. Paddington, an orthopedics company, saw a drastic increase in its sales in 2019 compared to 2018. A survey showed that the growing percentage of the elderly was directly responsible for improving the company's sales. Identify the dimension of the social environment that this scenario exemplifies.

a. Aging population
b. Diverse workforce
c. Social responsibility
d. Ethical policy

*ANSWER:* a

136. Rain, a retirement club for the elderly, saw a sharp increase in its customers in the last decade compared to the period between 2000 and 2010. This was because 65% of working individuals retired in the last decade. Identify the dimension of the social environment that this scenario exemplifies.

a. Ethical policy
b. Social responsibility
c. Aging population
d. Diverse workforce

*ANSWER:* c

137. Quade Publishing, a publication house, faced huge losses after 2010. The majority of its readers were born during the late 1950s, a population that is declining. Most modern readers prefer reading from tablets rather than reading from hard copies. This has resulted in a decrease in the sales of Quade Publishing. Identify the dimension of the social environment that this scenario exemplifies.

a. Ethical policy
b. Social responsibility
c. Diverse workforce
d. Aging population

*ANSWER:* d

138. Kate Lynn Black, a comedy television series, was initially created for children in the early 1980s. However, as the franchise started to gain a cult following, the content of the franchise began to include mature themes to maintain popularity among its existing consumers. Identify the dimension of the social environment that this scenario exemplifies.

a. Diverse workforce
b. Aging population
c. Ethical policy
d. Social responsibility

*ANSWER:* b

139. In the context of the social environment of business, which of the following statements is true of workers?

a. When joining a firm, employees are devoid of expectations related to job responsibility and flexibility.
b. Firms encourage a great level of mutual respect between employees and employers through open

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communication.

c. Workers today are more willing than ever to pay dues by working extra-long hours.

d. Firms are increasingly sharing information with their employees to achieve their objective of strong short-term performance.

*ANSWER:* b

140. Yancy, an international company, has 20 members in its top management. These executives have to abide by the same company policies as the other employees. However, when it came to light that the executives were not following the appropriate working hours and were abusing their power, the HR department had to pass new policies aimed specifically at the top management. These policies stated that the executives would lose a part of their monthly commission if they failed to abide by the company policies. Identify the dimension of the social environment that this scenario exemplifies.

a. Ethics

b. Income

c. Age

d. Diversity

*ANSWER:* a

141. The employees of Lao Inc., a home improvement retailer, are requesting the management to adopt a new performance review process to allow better transparency between different levels of the company. They propose to have one-on-one feedback sessions that would help reduce various review biases. Identify the dimension of the social environment that this scenario exemplifies.

a. Diversity

b. Ethics

c. Age

d. Income

*ANSWER:* b

142. Lakshmana, an influencer marketing agency, implements new rules that allow its clients to have better clarity and knowledge about the agency's core functions and methods of operation. Identify the dimension of the social environment that this scenario exemplifies.

a. Age

b. Income

c. Ethics

d. Diversity

*ANSWER:* c

143. Madan's Meals, a food service, recently faced criticism when customers found hair in some of its meals. As a result, the company has opted to provide a better level of transparency between its production processes and its consumers. Identify the dimension of the social environment that this scenario exemplifies.

a. Income

b. Diversity

c. Age

d. Ethics

*ANSWER:* d

144. In the context of ethics and social responsibility, which of the following has become a core issue in the marketplace?

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a. Keeping pace with the latest developments in technology
b. Achieving a strong competitive advantage by offering unsurpassed value to customers
c. Training employees thoroughly before they are exposed to services that are outsourced
d. Doing business today without harming the ability of future generations to meet their needs

*ANSWER:* d

145. In the context of the global environment of business, the migration of jobs from the United States relates closely to the global movement toward _____, which is an international economic and political movement designed to help goods and services flow more easily across international boundaries.

a. free trade
b. in-house commerce
c. deployment
d. socialism

*ANSWER:* a

146. Portugal, a European country, engages in business with Mali, an African country. Portugal imports agricultural products from Mali, whereas Portugal outsources its technological operations to workers in Mali. The two nations are able to carry out these business transactions with minimal tax implications. The given scenario best exemplifies the concept of _____.

a. free trade
b. e-commerce
c. deployment
d. internal audit

*ANSWER:* a

147. Hung and Lam are Asian nations. Adalyn and Decor are North American nations. These four nations recently signed a multilateral agreement that allows them to carry out business operations with minimal tax implications. This arrangement would allow Adalyn and Decor to import goods from Hung and Lam, which have low labor costs and high production quality. This agreement among these four nations is most likely possible because of the _____.

a. Retail Association Cooperative Agreement
b. European Investment Treaty
c. General Agreement on Tariffs and Trade
d. American Free Trade Agreement

*ANSWER:* c

148. In the context of the global environment of business, which of the following was the outcome of Hurricane Katrina in 2005?

a. It had a catastrophic impact on several impoverished African economies that could least afford the hit.
b. It decimated the travel industry and led to multibillion-dollar government outlays for Homeland Security.
c. It brought the Gulf Coast oil industry to a virtual standstill.
d. It dealt a devastating blow to tourism throughout Europe.

*ANSWER:* c

**Essay**

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**Chapter 01: Business Now: Change Is the Only Constant**

149. In the context of the history of American business, explain how the entrepreneurship era is different from the industrial revolution.

*ANSWER:* Answers will vary. The Industrial Revolution witnessed technological advances that fueled a period of rapid industrialization in America from the mid-1700s to the mid-1800s. As mass production took hold, huge factories replaced skilled artisan workshops. The factories hired large numbers of semiskilled workers who specialized in a limited number of tasks. The result was unprecedented production efficiency but also a loss of individual ownership and personal pride in the production process. The entrepreneurship era was built on the foundation of the industrial revolution. Large-scale entrepreneurs emerged in the second half of the 1800s, building business empires. These industrial titans created enormous wealth, raising the overall standard of living across the country. But many also dominated their markets, forcing out competitors, manipulating prices, exploiting workers, and decimating the environment. Toward the end of the 1800s, the government stepped into the business realm, passing laws to regulate business and protect consumers and workers, creating more balance in the economy.

150. In the context of the history of American business, describe the emergence of the "hard sell" in the production era, and the marketing concept in the marketing era.

*ANSWER:* Answers will vary. During the production era, in the early part of the 1900s, major businesses focused on further refining the production process and creating greater efficiencies. Jobs became more specialized, increasing productivity and lowering costs and prices. In 1913, Henry Ford introduced the assembly line, which quickly became standard across major manufacturing industries. With managers focused on efficiency, the customer was an afterthought. But when customers tightened their belts during the Great Depression and World War II, businesses took notice. The "hard sell" emerged: aggressive persuasion designed to separate consumers from their cash. During the marketing era, after World War II, the balance of power shifted away from producers and toward consumers, flooding the market with enticing choices. To differentiate themselves from their competitors, businesses began to develop brands, or distinctive identities, to help consumers understand the differences among various products. The marketing concept emerged: a consumer focus that permeates successful companies in every department, at every level. This approach continues to influence business decisions today as global competition heats up to unprecedented levels.

151. How do nonprofit organizations play a critical role in an economy?

*ANSWER:* Answers will vary. Nonprofit organizations play a critical role in the economy, often working hand-in-hand with businesses to improve the quality of life in our society. Focusing on areas such as health, human services, education, art, religion, and culture, nonprofits are business-like establishments, but their primary goals do not include profits. Chuck Bean, Executive Director of the Nonprofit Roundtable, explains: "By definition, nonprofits are not in the business of financial gain. We're in the business of doing good. However, nonprofits are still businesses in every other sense—they employ people, they take in revenue, they produce goods and services and contribute in significant ways to our region's economic stability and growth." Nationwide, nonprofits employ about one in ten workers, accounting for more paid workers than the entire construction industry and more than the finance, insurance, and real-estate sectors combined. And nonprofit museums, schools, theaters, and orchestras have become economic magnets for many communities, drawing additional investment.

152. In the context of the factors of production, discuss how natural resources are different from capital.

*ANSWER:* Answers will vary. Natural resources include all inputs that offer value in their natural state, such as land, fresh water, wind, and mineral deposits. Most natural resources must be extracted, purified, or harnessed; people cannot actually create them. (Note that agricultural products, which people do create through planting and tending, are not a natural resource.) The value of all natural resources tends to rise with high demand, low supply, or both. Capital includes machines, tools, buildings, information, and technology—the synthetic resources that a business needs to produce goods or services. Computers and telecommunications capability have become pivotal elements of capital across a surprising range of industries, from financial services to professional sports. You may be surprised to learn that in this context, capital does not include money, but,

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clearly, businesses use money to acquire, maintain, and upgrade their capital.

153. In the context of the various dimensions of a business environment, briefly describe the technological environment.

*ANSWER:* Answers will vary. The broad definition of business technology includes any tools that businesses can use to become more efficient and effective. But more specifically, in today's world, business technology usually refers to computers, telecommunications, and other digital tools. Over the past few decades, the impact of digital technology on business has been utterly transformative. New industries have emerged, while others have disappeared. The creation of the internet has transformed not only business, but also people's lives. Anyone, anywhere, anytime can use the internet to send and receive images and data (as long as access is available). One result is the rise of e-commerce or online sales, which allow businesses to tap into a worldwide community of potential customers.

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