

## Chapter 2--The Business Environment

*Student:* \_\_\_\_\_

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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?
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4. Which of the following represents part of a firm's general environment?
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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?
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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?
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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?
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21. Johnson & Johnson used \_\_\_\_\_ to manage the media and maintain the public's trust during the 1970s.
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22. Managers need \_\_\_\_\_ to navigate the business environment of the firm.
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23. The most difficult challenge for managers today is the ever changing \_\_\_\_.
- A. Customer needs
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  - C. Environment
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24. G. E. has changed its major business efforts (75%) from \_\_\_\_ to \_\_\_\_ over the last 25 years.
- A. Manufacturing to services
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  - C. Manufacturing to electronics
  - D. Electronics to computer technology
25. A firm's external environment is comprised of \_\_\_\_ components.
- A. 2
  - B. 3
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26. Technological and Global are elements of the \_\_\_\_.
- A. Task environment
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29. The \_\_\_\_ is the dimension that is made up of \_\_\_\_ components.
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30. Owners of a firm maintain \_\_\_\_ control of the organization.
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31. McDonald's institutional stockholders have \_\_\_\_ influence over the company's strategies or management.
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36. Globalization began when \_\_\_\_ caused countries to think about economies and a country's economic potential.
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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?



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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.

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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.