better business
second canadian edition

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To Students

How can you use *Better Business* as an effective learning tool?

**Read Actively**

Do you ever find that you need to reread a text many times before you fully understand it? Do you ever have trouble remembering what you read?

As a student, you are expected to read regularly. As an employee, reading to develop your skills and knowledge will likely be an important part of your job. Before you begin reading anything, you should determine your reading objective—what is it you want to gain from reading? When you read a newspaper or magazine, for example, you might simply skim over the material to discover the main points. But when you read a textbook, you must read carefully (that is, read every word), make notes, and question what you are reading.

You can use the SQ3R technique to improve your understanding of a text:1

- **Survey** (or skim)
- **Question** (ask yourself questions about what you are reading)
- **Read**
- **Recall** (identify major points and answer questions from Q)
- **Review** (review all sections)

When you are reading for a course, you need to make sure you’re actively involved in the text. Active readers predict, make inferences, and draw conclusions; they ask questions while they read and stop often to check for understanding. Fortunately, *Better Business* provides in-text questions throughout every chapter, giving you built-in cues to make your study active, promote deeper thought, and engage your critical thinking skills. For example, instead of simply listing the tasks that managers perform, *Better Business* asks you, “What tasks do managers perform?” and gives you the information to answer that question.

If you think that active reading will take too much time, think again. Active reading saves time because it improves reading comprehension and retention—it helps you understand and remember what you’ve read, meaning you won’t have to reread material again and again. Reading actively takes only a little effort, but it produces big results.

*Better Business* strives to engage you in the material, pique your interest, drive your curiosity, and promote active reading. Active reading assists you in doing what you came to university or college to learn how to do—think deeply about issues of importance in our society. Ultimately, the process of active reading helps you understand and retain what you read and assists you in mastering academic reading. This mastery leads to a successful educational experience and will also serve you well in your future profession.

**Use the Learning Style That Works Best for You**

*Better Business* provides you with multiple ways to learn. Each of us has a preferred learning “style”; some like to *watch* and learn (visual), others like to *do* and learn (kinesthetic), and still others like to *listen* and learn (auditory). So, while simply reading a textbook is a good start to learning, most of us will remember more and remember longer by learning in multiple ways. For auditory, visual, and kinesthetic learners, the MyBizLab online learning system is packed with interactive online lesson presentations, self-study tools, videos, glossary flashcards, business case simulations, and much more. You can explore a media-rich eText, strengthen your understanding of key topics through engaging online lessons, and test your mastery of each chapter through a robust Study Plan. No matter what your preferred learning style, MyBizLab will provide you with a wealth of study tools and opportunities to explore and learn.

You have likely completed a learning styles inventory in the past, but if you haven’t, it would be beneficial for you to complete the “Multiple Pathways to Learning” activity on MyBizLab, which will help you determine your preferred learning style. Knowing your learning style will help you compensate for your weaknesses and capitalize on your strengths. With the question-driven learning strategy implemented in the textbook and the wealth of learning resources at your disposal in MyBizLab, you will be well on your way to academic and career success.
What makes *Better Business* an effective teaching resource?

**Question-Driven Learning**

We all use questions to learn and to gain a better understanding of the knowledge that we need in our careers, our studies, and our lives. The importance of question-driven learning cannot be understated—the brain creates pathways to information in response to questions. Strong questions motivate and encourage students to achieve deeper understanding of any topic. *Better Business* applies the principles of question-driven learning by using in-text questions as the driving force for acquiring knowledge. The interactive writing style of this book makes it an easy-to-read, engaging text for students.

**Multiple Levels of Thinking**

*Better Business* reflects Benjamin Bloom’s question-based philosophy by providing a suite of discussion questions, application exercises, and critical thinking questions that may be used to teach and test not only students’ knowledge, comprehension, and application of specific concepts, but also their higher-level thinking skills (analysis, synthesis, and evaluation). Bloom’s classification of educational objectives, popularly known as *Bloom’s taxonomy*, can help educators better assess student learning and thinking skills. In the absence of such a classification system, educators may inadvertently emphasize memorization of facts instead of other (likely more important) learned capabilities. Questions in the Instructor’s Manual and the electronic test bank are associated with specific levels of Bloom’s taxonomy. Instructors can select questions from *Better Business* and its online resources that reflect and reinforce each lesson plan’s objective.

**Multiple Modalities of Learning**

Studies have shown that learning is more effective when it is multimodal. For example, using visuals alongside verbal or textual learning can yield significant benefits for the learner. A Metiri Group research study on multimodal learning recommended that instructors create multimodal and interactive or collaborative lessons in order to engage students’ thinking in a variety of ways, using whatever media is best suited to the student and the material. *Better Business* follows this approach with the inclusion of MyBizLab, Pearson’s revolutionary online learning system. It gives professors and students easy access to a variety of online lessons, media, and activities that get students interacting with business and not just reading about it.

What’s New in the Second Canadian Edition

There is much that is new and improved in this edition to ensure clarity, concision, and currency of presentation. Here are some of the key changes:

- Content has been reorganized and streamlined, from 13 to 12 chapters: Chapter 1, “Business Fundamentals,” has been substantially overhauled; the chapter on Global Business now appears at the end of the text; and the former Chapter 9, “Business Technology,” has been removed with key content from it being redistributed to other chapters.
- Chapter 2, “The Environment of Business,” is new to this edition, incorporating material from the former Chapter 1 (“Business Fundamentals”) and Chapter 3 (“Legal, Ethical, and Responsible Business”), focusing on the environments of business (PEST) and competition (Five Forces, and types of competition).
- Chapter 3 now features a discussion of the Legatum Prosperity Index, an annual ranking of 142 countries based on factors such as wealth, economic growth, and the quality of life; it also includes a report from the *Fraser Institute*, a Canadian agency that studies the impact of competitive markets and government intervention on individuals and societies, to include on the “Economic Freedom of the World.” This provides some context for the existence of capitalist markets around the world.
- Chapter 4 features an updated discussion of the reasons to start a business; it also includes new information about Internet entrepreneurs and home-based entrepreneurs in the section about types of entrepreneurs.
- Chapter 7 features two new “Top Ten” boxes: “The 10 Skills Employers Most Want in 20-Something Employees” and “Ways to Get Promoted.”
Chapter 8 now features a discussion of how marketing benefits consumers by providing time, form, task, place, and ownership utility.

In Chapter 9, we explore how packaging affects the environment.

Chapter 10 includes a discussion of the new ISO Standard—ISO 14067, Carbon footprint of product, as well as a new section on sustainability in manufacturing.

Chapter 12 contains a new section on global business trends.

More Canadian content and examples have been added throughout.

New and updated visuals can be found throughout.

New and updated opening discussions can be found in many chapters.

New and updated closing cases can be found in many chapters.
Pedagogical Features

How do the Better Business chapters enhance teaching and learning?

Each chapter is packed with real, relevant, and timely examples that reinforce key concepts. A wealth of chapter-opening, in-chapter, and end-of-chapter features help students learn, link, and apply major concepts:

**Opening Discussions** Each chapter begins with an engaging Opening Discussion that sets the stage for the chapter. These brief introductory case studies discuss real-world organizations and countries, introducing students to critical issues and business concepts. They include questions to inspire class discussion, prompt thinking, and generate interest in the chapter content.

**Business Fundamentals**

**Opening Discussion: Starting a New Business**

**The WhyHire.me Innovation**

As Facebook, LinkedIn, Twitter, and myriad other online social media sites become increasingly prevalent, more employers are scrutinizing those networking sites to screen potential employees. In a 2009 CareerBuilder survey, 45 percent of the 2600 employers surveyed reported that they research job candidates through social media.¹ Because of content found on social networking sites, 35 percent of employers reported that they chose not to hire candidates. Obviously, it is becoming imperative for job seekers to ensure their online image is not diminishing their job opportunities.

While teaching career positioning to a marketing class in 2008, Patti Church realized that students needed to start thinking about this topic sooner rather than later. At the same time, Andy Church and Robert Saric were discussing the value of having an established online personal brand when looking for employment after noticing the tremendous positive impact it had on their own job search efforts. Patti brought to Robert's and Andy's attention the point that many university and college students do not realize how transparent they are on the web. The three entrepreneurs formed a legal partnership and set out to develop a social media tool that would not only educate students about professional personal branding, but also provide a venue whereby students could safely build an online career portfolio to showcase their skills, abilities, and knowledge; establish a positive online reputation; and proactively position themselves to get hired! It was time to start using digital tools for a digital generation.

Their efforts resulted in WhyHire.me, a career success platform where students can create a professional and unique online brand presence.² As head of curriculum design, Patti leads the development of learning materials and overall student learning experience. With his considerable experience in education technology 2.0, stakeholder management, and growing global brands for publishers, Andy is responsible for the development of product requirements and go-to-market planning. Robert—a right-brained engineer and head of digital—is responsible for the strategy and development of all online career success services and solutions.

Additional WhyHire.me facts (as of 2011):

- The WhyHire.me Innovation
- A new Business
- Business Fundamentals
- Opening Discussion: Starting a New Business
- The WhyHire.me Innovation
- As Facebook, LinkedIn, Twitter, and myriad other online social media sites become increasingly prevalent, more employers are scrutinizing those networking sites to screen potential employees. In a 2009 CareerBuilder survey, 45 percent of the 2600 employers surveyed reported that they research job candidates through social media.
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- Robert—a right-brained engineer and head of digital—is responsible for the strategy and development of all online career success services and solutions.
- Additional WhyHire.me facts (as of 2011):
The topics. These features, further understanding of classroom discussions and questions to inspire are accompanied by business ventures related to chapter material. They are accompanied by questions to inspire classroom discussions and further understanding of the topics. These features, along with various Top 10 lists, help fuel in-class dialogue.

### On Target

**Newman Forge & Pattern: Turning a Hobby into a Business**

“A business plan? I’m not an MBA—I don’t do those things,” jokes John Newman. In reality, the no-nonsense entrepreneur from Hamilton, Ontario, has massive plans for his blacksmithing and pattern-making shop, Newman Forge & Pattern. When his employer downsized in 2003, rather than look for another job John decided to turn his hobby into a business. After years of blacksmithing in his home garage, he purchased a proper shop in an industrial area and opened for business. Although nerve-racking, John says starting his own shop was the best decision he could have made. “The only time I had second thoughts was when I was at the shop at two or three in the morning, pulling all-nighters to meet a delivery. But it’s definitely been worth it.”

Turning a hobby into a career isn’t as fun as you’d think, he asserts—it can take some of the enjoyment out of it, because it’s no longer your escape from work. “But you can start your business at a more gradual pace, and you already have a lot of the equipment, which helps.” John says the best thing about working alone and being his own boss is flexibility. “If it snows, I can sometimes skip work and go skiing!” However, there are downsides. “There’s no one to collaborate with, and it can be lonely at times.”

### Off the Mark

**Dream Team or Nightmare?**

If we look at Michael Eisner, the former Disney chief executive officer (CEO), we see that for his first 10 years at Disney (Research), he and chief operating officer (COO) Frank Wells were a great team. Under their guidance, Disney revied its famous animation tradition and the movie business prospered. Eisner and Wells not only saved a legendary company, but they also made shareholders rich. When Wells died, Eisner then formed one of the most famously ill-fated teams in recent history.47

In 1995, Michael Ovitz—one of Hollywood’s most powerful talent agents and the founder of Creative Artists Agency—was brought on as Disney president under CEO and board chair Michael Eisner. Ovitz quickly grew frustrated with his role and vague definition of duties.48 After a tumultuous 14 months as Disney’s second-in-command, he was dismissed by Eisner. Disney shareholders later sued Eisner and Disney’s board of directors for awarding Ovitz roughly US$14 million in severance. The 2005 trial lasted three months, with the judge ruling that Eisner and the other directors properly carried out their fiduciary duties. Although Disney won, the case aired some embarrassing testimony about the “Machiavellian atmosphere inside the Magic Kingdom.”49

Eisner stepped down as CEO that same year. In analyzing what went wrong, the overriding answer is conflicting business and personal agendas. Ovitz wanted to put his money into projects that Eisner dismissed as “off strategy,” such as buying a National Football League franchise. Eisner also did not approve of Ovitz spending US$2 million renovating his own office. This team failure cost Disney enormously—in both money and reputation.50

### BizChat

**Apple: Taking a Bite Out of Microsoft?**

Apple and Microsoft have a history of bitter rivalry, most recently surrounding the personal computer market. As the personal computer industry becomes more competitive, Windows and MacintoshOS continue to dominate the market. Apple recently released the new Mac OS X 10.6 Snow Leopard, which is expected to eventually replace the current Mac OS X 10.5 Leopard. Microsoft’s upcoming Windows 7 will be released in late 2009. Apple and Microsoft are both working to make their operating systems as user-friendly as possible. Microsoft is known for its Windows operating system, which is used on most personal computers. Apple is known for its Macintosh operating system, which is used on most Macintosh computers. The two companies have been competing for years, and the outcome of this competition will have a significant impact on the personal computer market. The two companies have been competing for years, and the outcome of this competition will have a significant impact on the personal computer market.

**Discussion Questions**

1. How much time and money did Disney lose over this situation?

2. Do you think the initial capital investment John needed to start his business was very large? How do you think he might have got the money to start the business?

3. When John decided to start his own business, what are some steps that companies take to ensure they don’t hire someone who won’t work well with the team? What do you think they should do to ensure they hire the right person for the job? What are some ways that companies can make sure they are hiring the right candidate for the job?

4. How does the Microsoft and Apple rivalry compare to the Microsoft and Yahoo! rivalry? What are the similarities and differences between the two companies? Why are they so similar?

5. Why is it important for companies to have clear job descriptions and to ensure that all employees understand their role and responsibilities? How can companies ensure that their employees are clear on their role and responsibilities?
LEARNING OBJECTIVES

After studying this chapter, you should be able to:

1D. Understand how the globalization of markets and production has affected business. (pp. 304–306)
1E. Explain why globalization has accelerated so rapidly. (pp. 306–309)
1F. Explain the meaning of comparative advantage and absolute advantage and describe the benefits and costs of international trade. (pp. 309–311)
1G. Define free trade and summarize the different types of trade barriers used to protect domestic industries from foreign competition. (pp. 311–314)
1H. Describe the organizations that facilitate trade and attempt to eliminate trade barriers. (pp. 314–319)
1I. Distinguish among the three basic strategies of international business. (pp. 319–321)
1J. Outline the ways international firms can successfully enter foreign markets. (pp. 319–321)
1K. Define exchange rates and explain how they affect international business. (pp. 321–323)
1L. List the economic factors and challenges that play a role in conducting business on a global scale. (p. 325)
1M. Summarize the sociocultural, political, legal, and ethical challenges to conducting business in a global marketplace. (pp. 325–326)

CHAPTER SYNOPSIS

1AG. Define business and explain the importance of profit. (pp. 3–4)
1BG. Understand that business is any activity that provides goods or services for the purpose of earning profit. Some businesses produce physical/tangible goods, while other businesses offer services. Every business needs to sell its products to a sufficient number of customers who are willing to buy the products at a price that enables the business to earn a profit. A profit is earned when a company’s revenue (the total amount of money received for goods and services provided) is greater than its expenses (the costs incurred to produce and sell the goods or services offered by the business). A loss occurs when a company’s revenue is less than its expenses.
1CG. More often than not, profit is the driving force behind a business’s growth. As more profit is generated, a company is able to reward its employees, increase its productivity, or expand its business into new areas. Profit provides an incentive and reward for businesspeople for taking the risks involved in developing and selling new goods and services that consumers value. In other words, profit is what motivates entrepreneurs to start and operate a business.
1DG. Describe how business benefits the members of society. (pp. 4–5)
1EG. Explain that the role of business is to produce goods and services. They include labor, natural resources, capital, entrepreneurial talent, and technology.
1FG. Describe the factors of production. (pp. 7–9)
1GG. The factors of production are the resources used to produce goods and services. They include labor, natural resources, capital, entrepreneurial talent, and technology.

Better Business, Better World Vignettes

In many chapters, the Better Business, Better World vignettes illustrate how businesses are engaging in the solutions to sustainable development challenges, global citizenship and equity, and social responsibility. The vignettes contain discussion questions to enhance students’ understanding of the topic and help initiate classroom discussion.

Critical Thinking Questions

End-of-chapter Critical Thinking Questions are designed to get students to think about how the material they are studying applies to them as individuals, community members, and global citizens.

CRITICAL THINKING QUESTIONS

1. Consider all of the factors of production: labor, natural resources, capital, entrepreneurship, and technology. Is each of these resources a total part of the resources available in the United States? If so, what is the most important to the goods and services provided by your organization? Why?
2. Give an example of the way in which each of the four factors of production can affect the business performance of a for-profit organization.
3. If you work for a company in the same industry as your classmates, how can you use the concept of value creation or value delivery to enhance your business performance?
4. If you have been participating in a cooperative or volunteer experience, think about whether you have performed an activity that could be identified as profit-oriented. Why do you think you engaged in the activity? What was your motivation?
5. If it were possible to combine the profits from both for-profit and non-profit organizations, what do you think the benefits of such a combination would be? How could this combination be implemented?
6. How would you define social responsibility? What are the key elements of social responsibility? How do businesses balance the needs of profits with the needs of the community?
7. How does the concept of social responsibility apply to businesses in different parts of the world? What are the differences and similarities in how businesses in different countries approach social responsibility?
8. How do businesses address social responsibility in different parts of the world? What are the challenges and opportunities for businesses in different parts of the world in addressing social responsibility?
9. How do businesses address social responsibility in different parts of the world? What are the challenges and opportunities for businesses in different parts of the world in addressing social responsibility?
Consumers

Process

Standard of Living versus Quality of Life

The concept of standard of living is based on income, wealth, and other material factors, whereas quality of life includes a broader range of issues, although some of these appear to negatively impact standard of living.

Charles A. Coffin, realized that with each organization's patents and devices. These experiments resulted in the invention of the light bulb, which revolutionized the world's electricity. G.E.'s success can be attributed to its innovative and forward-thinking approach, turning imagination into industry and industry into profits.

The roots of G.E. started to form in 1876 when Thomas Edison opened a laboratory to experiment with electricity and electric devices. The company's multifaceted structure was formed over the years, and it has grown to become one of the world's largest conglomerates.

Traditionally, the name Thomas Edison is synonymous with the electric light bulb, which he invented in 1879, and the phonograph. However, G.E. is much more than just a manufacturer of lighting and sound equipment. It is an innovative and forward-thinking company, turning imagination into industry and industry into profits.

In conclusion, G.E. is a prime example of a company that excels in imagination and innovation. Its history is a testament to the power of imagination and the potential it holds for transforming ideas into tangible goods and services.
MyBizLab delivers **proven results** in helping individual students succeed. It provides **engaging experiences** that personalize, stimulate, and measure learning for each student. For the second Canadian edition, MyBizLab includes powerful new learning resources, including a new set of online lesson presentations to help students work through and master key business topics, a completely restructured Study Plan for student self-study, and a wealth of engaging assessment and teaching aids to help students and instructors explore unique learning pathways. MyBizLab online resources include:

- **NEW Interactive Lesson Presentations.** Students can now study key chapter topics and work through interactive assessments to test their knowledge and mastery of business concepts. Each presentation allows students to explore through expertly designed steps of reading, practising, and testing to ensure that students not only experience the content, but truly engage with each topic. Instructors also have the ability to assign quizzes, projects, and follow-up discussion questions relating to the online lessons to further develop the valuable learning experiences from the presentations.

- **NEW Study Plan.** MyBizLab offers students an engaging and focused self-study experience that is driven by a powerful new Study Plan. Students work through assessments in each chapter to gauge their understanding and target the topics that require additional practice. Along the way, they are recognized for their mastery of each topic and guided toward resources in areas that they might be struggling to understand.

- **NEW Dynamic Study Modules.** These new study modules allow students to work through groups of questions and check their understanding of foundational business topics. As students work through questions, the Dynamic Study Modules assess their knowledge and only show questions that still require practice. Dynamic Study Modules can be completed online using your computer, tablet, or mobile device.

- **BizSkills and Decision-Making Simulations.** BizSkills are real-world scenarios that invite students to assume the role of a decision maker at a company to apply the concepts they have just learned. Decision-Making Mini-Simulations walk students through key business decision-making scenarios to help them understand how business decisions are made. Students are asked to make important decisions relating to core business concepts. At each point, students receive feedback to help them understand the implications of their choices in the business environment. Both types of simulations can now be assigned by instructors and graded directly through MyBizLab.

- **NEW Business Today Video Database.** Business Today is a dynamic and expanding database of videos that covers the disciplines of business, marketing, management, and more. In addition to the videos that have been specifically correlated to this text, you will find new videos posted regularly. Check back regularly to see up-to-date video examples that are perfect for classroom use.

- **BizChat Writing Assignments.** Each assisted-graded writing assignment is based on a BizChat Discussion Question from the text and provides the perfect framework for instructors to efficiently assign, review, and grade students’ written work. Questions are accompanied by a clickable rubric that allows instructors to review written work, provide immediate feedback, and assign a grade quickly and consistently.

- **NEW Learning Catalytics.** Learning Catalytics is a “bring your own device” student engagement, assessment, and classroom intelligence system. It allows instructors to engage students in class with a variety of question types designed to gauge student understanding.
MyBizLab Resources

- **Glossary Flashcards.** The Glossary Flashcards provide a targeted review of the Key Terms in each chapter. They allow learners to select the specific terms and chapters that they would like to study. The cards can also be sorted by Key Term or by definition to give students greater flexibility when studying.

- **Business Plan Project.** A simple, concise Business Plan Project is available on MyBizLab for instructors to share with their students.

- **Career Skills Modules.** The online Career Skills Modules are concise, engaging lessons that cover topics of interest and importance to students as they prepare for careers in the business world. Career Skills Modules cover such topics as academic success, effective business plans, business communication, finding a job, and personal finance.

- **NEW Canadian Sketch Animation Series.** Explore a NEW animation series that presents key marketing and business concepts from a uniquely Canadian perspective. This interesting and lively series of videos will help your students grasp course concepts that they find difficult.
Better Business includes an innovative supplement package for instructors. These supplements can be downloaded directly from Pearson Canada’s online catalogue.

- **Instructor’s Manual.** This valuable resource includes chapter outlines, teaching tips, weblinks, supplemental activities, a chapter–video correlation guide, and answers to discussion and end-of-chapter questions. Each answer is tagged with the appropriate level of Bloom’s taxonomy.

- **PowerPoint® Slides.** Each chapter presentation includes 25 to 30 high-quality slides. The PowerPoint Slides highlight key points from the text and are fully customizable.

- **TestGen and Test Item File.** TestGen is a powerful online assessment-generation program that helps instructors easily create and print quizzes, tests, and exams, as well as homework or practice handouts. The Better Business TestGen contains multiple-choice, true/false, short answer, and essay questions—approximately 150 questions in total per chapter. Questions and tests can all be authored online, allowing instructors ultimate flexibility and the ability to efficiently manage assessments at any time, from anywhere. A Test Item File in Microsoft Word® is also available.

- **Image Library.** The Image Library contains image files for all numbered figures and tables from the textbook, and the online Career Skills Modules.

- **Pearson’s Learning Solutions Managers** work with faculty and campus course designers to ensure that Pearson technology products, assessment tools, and online course materials are tailored to meet your specific needs. This highly qualified team is dedicated to helping schools take full advantage of a wide range of educational resources by assisting in the integration of a variety of instructional materials and media formats. Your local Pearson Canada sales representative can provide you with more details about this service program.

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For enrolments of at least 25 students, you can create your own textbook by choosing the chapters that best suit your own course needs. To begin building your custom text, visit www.pearsoncustomlibrary.com. You may also work with your local Pearson Canada sales representative to create your ideal text—publishing your own original content or mixing and matching Pearson content.
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