

The Context of Business: Understanding the Canadian Business Environment

Len Karakowsky
York University

Natalie Guriel
York University

PEARSON

Toronto

Vice-President, Editorial Director: Gary Bennett
Acquisitions Editor: Deana Sigut
Senior Marketing Manager: Leigh-Anne Graham
Program Manager: Karen Townsend
Project Manager: Rachel Thompson
Developmental Editor: Suzanne Simpson Millar
Production Services: Aptara[®], Inc.
Permissions Project Manager: Joanne Tang
Photo Permissions Research: Christina Simpson
Text Permissions Research: Khalid Shakhshir
Art Director: Zeneth Denchik
Cover Designer: TBD
Interior Designer: Anthony Leung
Cover Image: TBD

Credits and acknowledgments for material borrowed from other sources and reproduced, with permission, in this textbook appear on the appropriate page within the text [or on page xx].

If you purchased this book outside the United States or Canada, you should be aware that it has been imported without the approval of the publisher or the author.

Copyright © 2015 Pearson Canada Inc. All rights reserved. Manufactured in the United States of America. This publication is protected by copyright and permission should be obtained from the publisher prior to any prohibited reproduction, storage in a retrieval system, or transmission in any form or by any means, electronic, mechanical, photocopying, recording, or likewise. To obtain permission(s) to use material from this work, please submit a written request to Pearson Canada Inc., Permissions Department, 26 Prince Andrew Place, Don Mills, Ontario, M3C 2T8, or fax your request to 416-447-3126, or submit a request to Permissions Requests at www.pearsoncanada.ca.

10 9 8 7 6 5 4 3 2 1

Library and Archives Canada Cataloguing in Publication

PEARSON

ISBN 978-013-291300-3

Brief Contents

Part 1 A Framework for Study 1

- Chapter 1** EXPLORING CANADIAN BUSINESS: A CRITICAL APPROACH: What are the Major Challenges Facing Business? 1

Part 2 The Internal Challenges 40

- Chapter 2** THE EMPLOYEE–EMPLOYER RELATIONSHIP: What Responsibilities Do Bosses Have to Their Employees? 40
- Chapter 3** MANAGING THE WORKFORCE: How Can Business Leaders Best Manage Their Employees? 77
- Chapter 4** ESTABLISHING THE STRUCTURE OF A BUSINESS: What Does Organizational Design Have to Do with Business Success? 129
- Chapter 5** BUSINESS STRATEGY: How Do Businesses Generate a Successful Strategy? 175

Part 3 The External Challenges 211

- Chapter 6** ECONOMIC FORCES: Oh Canada, What Is Your Economy Like? 211

- Chapter 7** COMPETITIVE AND TECHNOLOGICAL FORCES: How Do Industries Evolve over Time? 256

- Chapter 8** GLOBAL FORCES: How Is Canada Faring in the Global Village? 294

- Chapter 9** POLITICAL FORCES: Where Would Canadian Business Be without Our Government? 339

- Chapter 10** SOCIETAL FORCES: Can Corporations Be Socially Responsible to All Stakeholders? 391

Part 4 Adaptation and Change 447

- Chapter 11** THE CHALLENGE OF SUSTAINABILITY: Why Does Business Need to Focus on Sustainability? 447

- Chapter 12** CONFRONTING CHANGE: How Do Businesses Address the Challenge of Change? 498

Contents

Preface *xiii*

Acknowledgment *xviii*

About the Authors *xiv*

Part 1 A Framework for Study 1

1 Exploring Canadian Business: A Critical Approach

What Are the Major Challenges Facing Business? 1

Learning Objectives 1

THE BUSINESS WORLD: CAN CANADIAN TIRE FLOURISH IN A RAPIDLY CHANGING BUSINESS CONTEXT? 2

The Internal Context of Business 4

The Employment Relationship: Responsibilities

Toward Labour 5

Leadership and Effectively Managing People 5

Developing a Suitable Organizational Structure 6

TALKING BUSINESS 1.1 Changing GM's Organizational Structure 6

Generating a Winning Business Strategy 7

The External Context of Business 7

Specific or Task Environment 7

General Environment 8

The Challenge of Change 11

Sustainability 12

The Canadian Context: How's Business in Canada, Eh? 12

Economic Forces in Canada 13

Competitive Forces in Canada 16

Technological Forces in Canada 18

TALKING BUSINESS 1.2 Growth in Provincial Labour Productivity: A Problem from Coast to Coast 20

Global Forces in Canada 22

Political Forces in Canada 25

TALKING BUSINESS 1.3 Jobs, Productivity, and Innovation: How Health Care Drives the Economy 25

Societal Forces in Canada 28

CHAPTER SUMMARY 29

CHAPTER LEARNING TOOLS 35

Key Terms 35

Multiple-Choice Questions 35

Discussion Questions 36

CONCEPT APPLICATION: FACEBOOK: WHEN YOUR FRIENDS ARE WORTH A BILLION! 36

Part 2 The Internal Challenges 40

2 The Employee–Employer Relationship

What Responsibilities Do Bosses Have to Their Employees? 40

Learning Objectives 40

THE BUSINESS WORLD: IS WORKING FOR FREE ILLEGAL? 41

The Labour Environment and Canadian Society 43

Distinguishing Work and Employment 43

TALKING BUSINESS 2.1 Are Unpaid Interns “Employees”? 45

What Is an Employee? 46

From Standard to Nonstandard Employment Relationships 47

Perspectives on Work and Government Policy 47

TALKING BUSINESS 2.2 The State of Canadian Unions—Down but Not Out 52

The Labour Context in Canada: Where Are We Now? 53

TALKING BUSINESS 2.3 Are Unions Relevant in Canada Today? 55

Dismissing Employees 55

Common Law Rules Requiring Notice of

- Termination 56
 - Statutory Minimum Notice of Termination 57
 - Unemployment Insurance Programs 58
- Current Issues in the Workplace: Managing Workforce Diversity 58
 - Protecting Diversity and Guarding Against Discrimination in Canadian Law 58
- TALKING BUSINESS 2.4 Organizations Seeing the Light about Faith at Work 61**
- TALKING BUSINESS 2.5 He Says, She Says: Gender Gap Persists in Attitudes Toward Women’s Advancement in the Workplace 63**
- TALKING BUSINESS 2.6 Aboriginal Workers: Integral to Canada’s Ongoing Competitiveness and Performance 65**
- TALKING BUSINESS 2.7 Ontario Employers Have a New Tool to Improve Accessibility for People with Disabilities 67**
 - The Model of the Employment Equity Act 68
- TALKING BUSINESS 2.8 Employment Equity Resources 70**
- TALKING BUSINESS 2.9 Immigrants Make Significant Contributions to Innovation 70**
- CHAPTER SUMMARY 72
- CHAPTER LEARNING TOOLS 72
 - Key Terms 72
 - Multiple-Choice Questions 72
 - Discussion Questions 73
- CONCEPT APPLICATION: IMMIGRANTS ARE SOMETIMES UNSURE ABOUT THEIR LABOUR RIGHTS 74

3 Managing the Workforce

How Can Business Leaders Best Manage their Employees? 77

Learning Objectives 77

THE BUSINESS WORLD: LEARNING HOW TO BE AN EFFECTIVE LEADER: LESSONS FROM THE EXECUTIVE ROUNDTABLE 78

Why Study Management Thought? 80

What Do Managers Do? 81

The Roles Managers Play in Organizations 81

TALKING BUSINESS 3.1 The Visionary Leader: Steve Jobs 84

TALKING BUSINESS 3.2 Conflict Management: The Toxic Employee 85

Management Philosophies 88

Classical Approaches to Management 88

The Social Context 88

Scientific Management 89

Administrative Management 92

Bureaucratic Management 92

TALKING BUSINESS 3.3 Leading Teams in a New Direction 93

The Classical Approaches in Perspective 96

TALKING BUSINESS 3.4 Is Weber Alive and Well? 96

Behavioural Approaches to Management 98

TALKING BUSINESS 3.5 The High Costs of Workplace Harassment 99

The Human Relations Movement 100

Mary Parker Follett (1868–1933) 100

Chester Barnard (1886–1961) 101

Modern Behavioural Science and Motivation-Based Perspectives 102

The Best Management Philosophy? Contingency Approach 102

TALKING BUSINESS 3.6 The Myths and Realities of Motivation 103

The Critical Importance of Trust in the Workplace 106

TALKING BUSINESS 3.7 How One Canadian Company Earns Trust 107

Trust, Teamwork, and Citizenship 108

TALKING BUSINESS 3.8 How Teams Learn at Teleflex Canada 109

CHAPTER SUMMARY 111

CHAPTER LEARNING TOOLS 111

Key Terms 111

Multiple-Choice Questions 111

Discussion Questions 112

CONCEPT APPLICATION: KICKING HORSE COFFEE 112

4 Establishing the Structure of a Business

What Does Organizational Design Have to Do with Business Success? 129

Learning Objectives 129

THE BUSINESS WORLD: HOW INTERNET COMPANIES ARE CHANGING ORGANIZATIONAL STRUCTURE IN THE WORKPLACE 130

The Changing Nature of Organizations 131

Flat Organizations 132

Fluid Organizations 133

Integrated Organizations 133

Global Organizations 134

TALKING BUSINESS 4.1 Atlantic Canada's Overseas Playground? 135

Thinking About Organizations 136

What Is an Organization? 136

Using Metaphors to Describe Organizations 136

The Anatomy of an Organizations 140

What Constitutes an Organization's Structure? 140

What Determines Organizational Structure?

A Rational Perspective 143

Strategy 144

Organizational Size 144

Technology 145

Environment 145

TALKING BUSINESS 4.2 Canada's Trade in a Digital World 147

Reengineering 149

TALKING BUSINESS 4.3 The Credit Agency 151

TALKING BUSINESS 4.4 Former Outsourcer Describes How Job Destruction Works 152

Toward a Virtual Organization 153

Outsourcing 154

TALKING BUSINESS 4.5 Out-of-Control Outsourcing Ruined Boeing's Beautiful Dreamliner 155

Networking 156

Shedding Noncore Functions 156

Downsizing 159

TALKING BUSINESS 4.6 Loblaw Cuts 700 Head Office Jobs 159

Methods of Downsizing 161

Consequences of Downsizing 162

TALKING BUSINESS 4.7 What Every Leader Should Know About Survivor Syndrome 163

Why Has Downsizing Failed to Achieve Anticipated Results? 164

Downsizing as a Nonrational Approach to Organizational Structure 166

TALKING BUSINESS 4.8 Temporary Workers Are a Concern for All Canadians 168

CHAPTER SUMMARY 170

CHAPTER LEARNING TOOLS 170

Key Terms 170

Multiple-Choice Questions 171

Discussion Questions 172

CONCEPT APPLICATION: PIXAR: NO MICKEY MOUSE ORGANIZATION! 173

5 Business Strategy

How Do Businesses Generate a Successful Strategy? 175

Learning Objectives 175

THE BUSINESS WORLD: TIM HORTONS: IS ITS STRATEGY "ALWAYS FRESH"? 176

What Is Strategic Management? 178

Analyzing the External Environment 179

The Five-Forces Model 179

TALKING BUSINESS 5.1 Changes in Global Food Sector Call for Canadian Food Strategy 181

TALKING BUSINESS 5.2 Foresight and Innovation: Today's Science Fiction, Tomorrow's Reality? 185

Analyzing the Internal Environment 186

The VRIO Model 186

TALKING BUSINESS 5.3 Groupon 187

SWOT Analysis 188

Different Levels of Strategies 190

Business-Level Strategy 190

TALKING BUSINESS 5.4 Dollarama Cashing in on Penny-Pinching Canadians 191

TALKING BUSINESS 5.5 FROGBOX: On the Path to Greatness 194

Corporate-Level Strategy 196

TALKING BUSINESS 5.6 American Airlines Merges with US Airways 197

TALKING BUSINESS 5.7 Loblaw Gets into Mobile Phone Market 200

TALKING BUSINESS 5.8 Starbucks Buys Its First Coffee Farm in Costa Rica 202

TALKING BUSINESS 5.9 Understanding the Deal: Shoppers Drug Mart and Loblaw 203

CHAPTER SUMMARY 205

CHAPTER LEARNING TOOLS 205

Key Terms 205

Multiple-Choice Questions 206

Discussion Questions 207

CONCEPT APPLICATION: LULULEMON: FOR THE LOVE OF YOGA 208

Part 3 The External Challenges 211

6 Economic Forces

Oh Canada, What Is Your Economy Like? 211

Learning Objectives 211

THE BUSINESS WORLD: CANADIANS ON THE MOVE 212

The Economic Environment 215

Individuals 215

Businesses 215

TALKING BUSINESS 6.1 Canada's People Advantage 218

Government 218

TALKING BUSINESS 6.2 Growing Gap of Truck Drivers Will Be Costly to Canadian Economy 219

Analyzing the Economy: Two Approaches 219

Types of Economic Systems 220

Market Economy 220

Communism 221

Socialism 221

Mixed Economy 222

Competition and the Economy 222

Types of Competition in Free Markets 222

TALKING BUSINESS 6.3 Better Farm Management Separates the Wheat from the Chaff 224

TALKING BUSINESS 6.4 Don't Blame Professional Athletes for High Ticket Prices 226

Goals of Canada's Economic System 229

Economic Growth 229

TALKING BUSINESS 6.5 The US Subprime Mortgage Crisis and Recession 231

TALKING BUSINESS 6.6 Canada's World-Class Economy 233

TALKING BUSINESS 6.7 Canada's Productivity Challenge 236

TALKING BUSINESS 6.8 Canada's Growing but "Invisible" Trade: Services 237

Economic Stability 243

Employment 246

TALKING BUSINESS 6.9 Today's High Youth Unemployment: A Solution for Skill Shortages? 248

CHAPTER SUMMARY 249

CHAPTER LEARNING TOOLS 249

Key Terms 249

Multiple-Choice Questions 250

Discussion Questions 252

CONCEPT APPLICATION: SASKATOON: CANADA'S FASTEST-GROWING ECONOMY 252

7 Competitive and Technological Forces

How Do Industries Evolve Over Time? 256

Learning Objectives 256

THE BUSINESS WORLD: FROM PERSONAL COMPUTERS TO NEWSPAPERS: TECHNOLOGY AND CREATIVE DESTRUCTION 257

The Industry Life-Cycle Model 258

The Introduction Phase: Industry Emergence and Creation 260

TALKING BUSINESS 7.1 The Birth of Biotech 261

TALKING BUSINESS 7.2 The Early Years of the Automobile Industry 262

TALKING BUSINESS 7.3 The Business of Botox 265

TALKING BUSINESS 7.4 Gray Goo and the Promising Future of the Nanotechnology Industry 266

The Growth Phase: Dominant Designs and Shakeouts 267

TALKING BUSINESS 7.5 Growth Phase: Demand for Low-End Smartphones Keeps Increasing 269

The Maturity Phase: A Critical Transition 272

TALKING BUSINESS 7.6 The Aging Personal Computer Industry 272

TALKING BUSINESS 7.7 Has the Retail Grocery Industry Hit Maturity? 274

The Decline Phase: Difficult Choices 274

TALKING BUSINESS 7.8 The Fall of the Tobacco Industry 275

Innovation and Technology 277

Types of Innovation 277

TALKING BUSINESS 7.9 Is Canada on the Leading Edge? 278

TALKING BUSINESS 7.10 The Linked World: How ICT Is Transforming Societies, Cultures, and Economies 279

The Evolution of Technology 281

TALKING BUSINESS 7.11 Embracing Disruption: Lessons from Building the First Quantum Computer 281

Technological Forecasting 283

Technology and the Changing Workplace 285

TALKING BUSINESS 7.12 Will Technology Replace Middle-Class Jobs? 286

CHAPTER SUMMARY 287

CHAPTER LEARNING TOOLS 288

Key Terms 288

Multiple-Choice Questions 288

Discussion Questions 290

CONCEPT APPLICATION: HAS SODA LOST ITS FIZZ? 290

8 Global Forces

How Is Canada Faring in the Global Village? 294

Learning Objectives 294

THE BUSINESS WORLD: FOREIGN OUTSOURCING AND RBC 295

What Is Globalization? 297

Sources Encouraging Global Business

Activity 298

Pull Factors 298

Push Factors 299

TALKING BUSINESS 8.1 Canada's Dairy Industry Under Pressure 300

Channels of Global Business Activity 301

Exporting and Importing 302

TALKING BUSINESS 8.2 Canada's Exports to China: Still Hewers of Wood and Drawers of Water 304

TALKING BUSINESS 8.3 What are Canada's New Export Strengths? 306

Outsourcing/Offshoring 307

Licensing and Franchising Arrangements 308

Direct Investment in Foreign Operations 309

TALKING BUSINESS 8.4 What Helps a Country Obtain Foreign Direct Investment? 310

Joint Ventures and Strategic Alliances 312

Mergers and Acquisitions 312

Establishment of Subsidiaries 313

TALKING BUSINESS 8.5 Is Canada Being "Hollowed Out" by Foreign Takeovers? Putting Mergers and Acquisitions in Historical Perspective 313

The Multinational Corporation 314

The Borderless Corporation 315

TALKING BUSINESS 8.6 What's the Third World? 315

TALKING BUSINESS 8.7 Think Global, Act Local 316

International Trade 318

The Logic of Trade 318

Mercantilism 319

Trade Protectionism 320

TALKING BUSINESS 8.8 Made in Canada: How Globalization Has Hit the Canadian Apparel Industry 320

Promoting International Trade 322

TALKING BUSINESS 8.9 The Futility of Protectionism 322

Facilitating Global Business: Regional Economic Integration 323

European Union (EU) 324

Asian Trading Bloc 325

North American Trading Bloc and NAFTA 327

Where Is Canada Headed? 332

CHAPTER SUMMARY 332

CHAPTER LEARNING TOOLS 333

Key Terms 333

Multiple-Choice Questions 333

Discussion Questions 335

CONCEPT APPLICATION: BEIJING AND THE CALGARY OIL SANDS 336

9 Political Forces

Where Would Canadian Business Be Without Our Government? 339

Learning Objectives 339

THE BUSINESS WORLD: JAPAN'S TOYOTA AND CANADA'S SUBSIDIES 340

The Canadian Business Enterprise System: Fundamental Features 342

Canadian Government Structure and Roles 344

Levels of Government 345

Federal Government Structure 346

Government as Guardian of Society 348

The Tax Collector Role 348

The Business Owner Role: Crown

Corporations 349

TALKING BUSINESS 9.1 Should Pop Drinkers Pay More? 350

TALKING BUSINESS 9.2 Canada Post Faces Billion Dollar Operating Loss by 2020 352

TALKING BUSINESS 9.3 Should the LCBO Be Privatized? 355

TALKING BUSINESS 9.4 The Canadian Experience with Privatization 356

The Regulator Role 358

TALKING BUSINESS 9.5 The Role of the Competition Bureau 362

Government as Guardian of the Private Business Sector 364

Government Assistance to Private Businesses 364

TALKING BUSINESS 9.6 Auto Bailouts: Good or Bad Idea? 366

Government as Guardian of Business in the Global Context 368

Why Should Government Play the Role of Guardian of Business in the Global Context? 369

TALKING BUSINESS 9.7 More Cheese, Please 371

Why Government Should *Not* Play the Role of Guardian of Business 373

Should Government "Mind Its Own Business"? 375
Deregulation 376

TALKING BUSINESS 9.8 The Dangers of Deregulation 380

Privatization 380

CHAPTER SUMMARY 385

CHAPTER LEARNING TOOLS 385

Key Terms 385

Multiple-Choice Questions 386

Discussion Questions 387

CONCEPT APPLICATION: THE WIRELESS SERVICE INDUSTRY IN CANADA 388

10 Societal Forces

Can Corporations Be Socially Responsible to All Stakeholders? 391

Learning Objectives 391

THE BUSINESS WORLD: THE NEW BLOOD DIAMOND: CELLPHONES 392

Defining Business Ethics 395

TALKING BUSINESS 10.1 High-Level Barriers to Public Trust in Organizations 395

Ethical Behaviour as a Social Phenomenon 396

Business Ethics as Managing Stakeholder Interests 397

TALKING BUSINESS 10.2 Lac-Mégantic: Disaster in Quebec 397

Models for Judging the Ethics of Decisions 398

End-Point Ethics 400

Rule Ethics 401

Applying the Models: A Scenario 402

TALKING BUSINESS 10.3 The Business of Bribery 404

Do Organizations Make Us Unethical? 405

Unethical Behaviour as a Consequence of Corporate Culture 407

Unethical Behaviour as a Consequence of Decoupling	410
Unethical Behaviour as a Consequence of Work Routinization	411
TALKING BUSINESS 10.4 The Global Pharmaceutical Industry and Human Guinea Pigs	413
Unethical Behaviour as a Consequence of Organizational Identity	414
Unethical Behaviour as a Consequence of Organizational Roles	416
Judging the Ethics of Organizations	417
Business and Society	419
Managing the Forces of Business and the Stakeholders of Business	420
Managing the Challenges of the Societal Force	422
Corporate Social Responsibility	422
The CSR Debate	424
TALKING BUSINESS 10.5 Dragons' Den	425
TALKING BUSINESS 10.6 IBM and Nazi Germany	428
TALKING BUSINESS 10.7 Does Corporate Social Responsibility Increase Profits?	432
TALKING BUSINESS 10.8 Should These Corporate Behaviours Be Mandated?	434
Is Corporate Social Responsibility on the Rise?	434
TALKING BUSINESS 10.9 Social Media Gives Power to Customers	435
CHAPTER SUMMARY	440
CHAPTER LEARNING TOOLS	441
Key Terms	441
Multiple-Choice Questions	441
Discussion Questions	443
CONCEPT APPLICATION: JOE FRESH AND THE BANGLADESH TRAGEDY	443

Part 4 Adaptation and Change 447

11 The Challenge of Sustainability

Why Does Business Need to Focus on Sustainability? 447

Learning Objectives 447

THE BUSINESS WORLD: CAN CANADIAN BUSINESSES AFFORD TO IGNORE CLIMATE CHANGE? 448

What Is Sustainability? 452

Economic Factors 454

TALKING BUSINESS 11.1 Cree Village Ecolodge, a Sustainable Travel Destination 455

Social Factors 455

Environmental Factors 456

TALKING BUSINESS 11.2 How Sustainable Is Canada's Water? 458

TALKING BUSINESS 11.3 Fracking Fracas: Pros and Cons of Controversial Gas Extraction Process 461

Benefits and Limitations of the Triple Bottom Line Framework 463

Benefits of the TBL Approach 463

Limitations of the TBL Approach 464

Measuring Sustainability 466

Living Planet Index 466

Ecological Footprint 468

Index of Sustainable Economic

Welfare 470

Genuine Progress Indicator 471

Environmental Performance Index 472

The Business Case for Implementing Sustainable Practices 474

Reducing Costs 474

Reducing Risk 477

Improving Public Relations 477

Obstacles to Change 478

TALKING BUSINESS 11.4 Canada Isn't Cleaning Up on Green Technology Exports 480

Implementing Sustainable Practices 481

Raw Materials 482

TALKING BUSINESS 11.5 Leading Change in the Food Sector 483

Manufacturing 484

Distribution 486

Retailing 486

TALKING BUSINESS 11.6 Are Plastic Bags Really Necessary? 487

Marketing 488

Consumer Use/Consumption 488

End-of-Life/Disposal 490

CHAPTER SUMMARY 491

CHAPTER LEARNING TOOLS 491

Key Terms 491
Multiple-Choice Questions 492
Discussion Questions 493

CONCEPT APPLICATION: IS LOCAL FOOD
SUSTAINABLE? 494

12 Confronting Change

How Do Businesses Address the Challenge of
Change? 498

Learning Objectives 498

**THE BUSINESS WORLD: INDIGO: WRITING THE NEXT
CHAPTER IN CANADA'S BOOK INDUSTRY** 499

Change and the Environment of Business 501
Forces for Change 501

**TALKING BUSINESS 12.1 Making Skills Work in
Ontario** 503

**TALKING BUSINESS 12.2 Yes, There Is a Future
for Manufacturing in Canada** 505

**TALKING BUSINESS 12.3 Digital Health: More
Than Just Health and Technology** 506

**TALKING BUSINESS 12.4 Pro Sports and
Globalization** 508

**TALKING BUSINESS 12.5 How Canada Welcomed
Bangladeshi Clothing Imports** 509

**TALKING BUSINESS 12.6 Slow-Motion
Demographic Tsunami About to Hit Canada's
Economy** 511

Types of Change 512

Developmental Change 512
Transitional Change 513
Transformational Change 513

**TALKING BUSINESS 12.7 Transformational
Change: Starbucks Risks Core Business for New
Unknown Ventures** 514

Methods of Change: Theory E and Theory O
Change 515

The Process of Transformational Change: An
Illustration 518

Understanding the Forces for Change 518

The Change Vision and Implementation 518

Creating a Learning Organization 522

**TALKING BUSINESS 12.8 The Learning
Manager** 525

Double-Loop Learning and Shifting Paradigms 526

Do Organizations Encourage or Discourage Learning
and Change? 527

**TALKING BUSINESS 12.9 Facebook's Culture
Promotes Learning and Change** 528

Implementing Change Through Tipping Point
Leadership 531

What Is the Tipping Point? 531

Three Rules of the Tipping Point 531

Applying the Tipping Point to Organizational
Change 533

CHAPTER SUMMARY 535

CHAPTER LEARNING TOOLS 535

Key Terms 535

Multiple-Choice Questions 535

Discussion Questions 537

CONCEPT APPLICATION: WHEN GOOD
COMPANIES GO BAD: THE CASE OF KODAK 537

Glossary 000

Index 000

Preface

There is much to be proud of with regard to the Canadian business sector. According to many observers, Canada is poised to earn a distinguished reputation on the world scene. In fact, Canada has been consistently cited in the media as “one of the best countries to do business in.” Recently *Forbes* ranked Canada fifth overall in the world for business, based on such factors as low corporate tax rates and one of the most stable banking systems.

Beyond its economic stability, Canada is also reputed for its world-class university system, which is much more affordable than most privately funded colleges in the United States. In turn, Canada is known for its ability to attract and retain a highly educated workforce. Our strong business reputation is also based on having among the highest investment rates in education as a percentage of its GDP. Its enviable status is also based on comparatively low poverty and crime rates.

The positive climate for business has also made this country a popular location for entrepreneurs. Based on a study conducted by management consulting firm Ernst & Young, Canada was ranked among the top five places in the world to start a business, given its strong entrepreneurial culture. The Ernst & Young report considered such factors as small business tax burden, access to financing, and intangibles such as the value placed on research and innovation as well as attitudes toward entrepreneurs in the business community.

There is no doubt that Canada is fast becoming a major player on the global scene. However, at the same time significant challenges exist. The last two decades have witnessed tremendous change and turmoil across our organizational landscape—from numerous bankruptcies of once-great Canadian companies to massive reductions in the workforce of many others to the growth in foreign ownership across corporate Canada. Is all this cause for concern or just the natural evolution of business? Are we headed for the best of times or the worst of times?

Indeed, what lies ahead for Canadian business? To address that question, we need to systematically examine the context of business and the factors that shape our business environment. To do so we must look both “inside” and “outside” of the corporate walls. That is, we need to consider key challenges and opportunities that exist within the boundaries of the organization, as well in the organization’s external environment.

The aim of this book is to help facilitate the following learning goals for students:

1. To examine the context within which all businesses operate. Specifically, we consider the internal context and the external context of business and the range of unique challenges and opportunities each possesses.
2. To obtain a deeper understanding of the nature of the Canadian business environment. What differentiates Canada from other business environments? What are the major strengths and weaknesses of Canada as a place to do business? What does the future hold for Canadian business?
3. To encourage critical thinking regarding the nature of business and its environment. This text presents a range of ideas, perspectives, and conceptual frameworks for identifying and analyzing key issues in the business environment.

4. To gain exposure to major voices and leading thinkers in the field of business and organizational studies. This book draws upon many ideas from a wide range of business scholars, experts, and practitioners.

The study of business is really about the study of society. It is an obvious fact that we are a society of organizations—from our hospitals to our schools to our multinational organizations, it is hard to imagine life without organizations. And, for better or worse, those very institutions and organizations that we have grown up with are continuing to undergo dramatic change. We need to understand where change is coming from and how organization's can best respond to the changing business context.

The Context of Business takes the reader on a journey that explores the environment within which business operates—both within the Canadian context and within the global context. The reader will be introduced to a variety of perspectives, theories, and concepts that shed light on real business issues. While this text does introduce the reader to many fundamentally important business terms and concepts, our emphasis is on helping students develop analytical thinking skills. Our aim is to present ideas, frameworks for discussion, and concepts that students can use as tools to help analyze “what is going on out there” in the “real” business world.

We hope that *The Context of Business* takes you on an enriching journey into the environment of business. There is much to learn about Canadian business and, as you will see, there is also much to be proud of. As a current or prospective member of the Canadian workforce, you have every reason to be interested in what the future holds for Canadian business. We hope this book helps you think more critically and thoughtfully about what lies ahead.

Enjoy the journey!

Len Karakowsky

Natalie Guriel

STRENGTHS AND FEATURES OF THIS TEXT

This text differs in a number of significant ways from the typical introductory business textbook. There are at least three key areas of emphasis that distinguish this text, as outlined below.

1. Emphasis on Critical Thinking Skills

The Context of Business will be the foundation for an introductory course in business that first introduces students to the business environment—both internal and external. The aim of this text is to provide a critical examination of the nature of business organizations and the fundamental challenges that they face within the Canadian context. The central objective is to provide insight into the business environment in Canada while encouraging students to think critically about how organizations are managed and how business leaders confront current challenges. This emphasis on critical thinking skills may be what largely differentiates this book from many other introductory business textbooks.

Consequently, while we clearly set out descriptions necessary to understand the “mechanics” of business issues, ranging from the economic context to the political context, our aim is to engage students in a way that will stimulate them to think critically about these contexts. Students will be inspired to ask questions about how business operates and how the environment impacts business. We ask questions central to understanding what is “going on out there” in the Canadian business world, including: What kind of competition exists in Canada in different industries? How has the number of telecommunications companies impacted the consumer? Do government subsidies to business impact competitiveness in Canada? What did the tragedy at Lac-Mégantic teach us about corporate social responsibility? These kinds of questions demand more than simply memorizing business jargon.

We believe that our approach in this text will help students better understand and appreciate the purpose behind their further studies in specific functional areas of business while also nurturing the skills they need to succeed in later courses.

2. Emphasis on Concept Application

Each chapter sets out clearly the **learning objectives** for that chapter. We believe that we have set challenging but achievable learning objectives for each chapter, and we have ensured our chapters provide all the information students require to engage in a thoughtful and informed analysis of each of the topics. Our fundamental aim is to get students to take business ideas, concepts, and frameworks and use them to make sense of business events and challenges.

In writing this book, we endeavoured to make fundamental business concepts “come alive” through the application of these concepts to important, real-world situations. This text includes a wealth of current business cases drawn from the popular press to help clarify ideas presented within each chapter. Specifically, each chapter begins with **The Business World** case, which reports on important, current, real-life business issues and themes that are explored within the chapter. The chapters are also filled with real-life business illustrations summarized within the **Talking Business** boxes. Interspersed throughout the text, these features often present current business news or situations that further explore the concepts discussed in the chapter in a real, applied way. These are ideal for class discussion and also offer media accounts that may differ from the authors’ perspectives of business happenings. Instructors may wish to use some of these as mini-cases for class discussion on a daily basis when a lengthier, end-of-chapter case is not assigned.

Each chapter also contains an **end-of-chapter Case Application with questions**. These cases are also drawn from the Canadian popular press and are intended to give students an opportunity to apply chapter concepts to real business contexts. We have used these kinds of cases in our own classes with much success. The cases are of relatively short length. While the cases are intended to focus on the material in the accompanying chapter, many of the cases in this book carry ramifications that spill over into several areas. However, we have found that the ability to integrate different concepts from different chapters takes time. Consequently, our focus was on building this skill by keeping the cases relatively focused, though certainly many of these cases could be revisited from different chapter perspectives. The *Instructor’s Resource Manual* provides suggestions and possible discussions relating to each of these cases.

3. Emphasis on “Real” Canadian Business Context

In addition to offering frameworks and principles central to an understanding of the context of business in general, we have endeavoured to provide an interesting and up-to-date presentation of relevant business events and business cases. We have made every effort to infuse this text with “real-life” illustrations. References are made to major business stories from across the globe. However, we are particularly interested in the Canadian context. Consequently, we focus on Canadian stories and give ample attention to current Canadian business policies and practices for the topics covered throughout this book. The end-of-chapter cases are drawn from both Canadian and global contexts. And this text was authored by Canadian scholars—it is not a Canadian adaptation of a US text.

While this text relates ideas and theories drawn from the work of management scholars and management research, we are also concerned with relating ideas and issues voiced by practitioners and communicated through such popular press sources as *Canadian Business*, *Globe and Mail*, *Fortune*, *Report on Business*, and the *Huffington Post*.

End-of-Chapter Pedagogical Features

We have included discussion questions at the end of every chapter, ranging from short answer to essay-type responses. These questions provide various levels of challenge and will ensure students have understood the issues presented in the chapter. In addition, we have included multiple-choice questions. The *Instructor’s Resource Manual* provides suggestions and discussions for taking up all of these end-of-chapter questions.

Supplements The following supplements are available for instructors:

Instructor’s Resource Manual. The Instructor’s Resource Manual includes chapter learning objectives, chapter outlines and summaries, discussion questions and answers for in-text features, as well as answers for the discussion and review questions.

Pearson MyTest. MyTest helps instructors easily create and print quizzes and exams with hundreds of questions, including multiple-choice, true/false, short answer, and essay questions. For each question we have provided the correct answer, a reference to the relevant section of the text, a difficulty rating, and a classification (recall/applied). MyTest software enables instructors to view and edit the existing questions, add questions, generate tests, and distribute tests in a variety of formats. Powerful search and sort functions make it easy to locate questions and arrange them in any order desired. Questions and tests can be authored online, allowing instructors ultimate flexibility and the ability to efficiently manage assessments anytime, anywhere, visit www.pearsonmytest.com.

PowerPoint Lecture Slides. Prepared by the authors, the PowerPoint presentations are colourful and varied, designed to hold students’ interest and reinforce each chapter’s main points.

peerScholar. Firmly grounded in published research, peerScholar is a powerful online pedagogical tool that helps develop students’ critical and creative thinking skills. peerScholar facilitates this through the process of creation, evaluation, and reflection. Working in stages, students begin by submitting written assignments. peerScholar then circulates their work for others to review, a process that can be anonymous or not, depending on your preference. Students receive peer feedback and evaluations

immediately, reinforcing their learning and driving the development of higher-order thinking skills. Students can then resubmit revised work, again depending on your preference. Contact your Pearson Canada representative to learn more about peerScholar and the research behind it.

Innovative Solutions Team. Pearson's Innovative Solutions Team works with faculty and campus course designers to ensure that Pearson 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 technology by assisting in the integration of a variety of instructional materials and media formats.

Pearson Custom Library. For enrollments of 25 students or more, 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.

CourseSmart for Instructors. CourseSmart goes beyond traditional expectations—providing instant, online access to textbooks and course materials at a lower cost for students. And even as students save money, you can save time and hassle with a digital eTextbook that allows you to search for the most relevant content at the very moment you need it. Whether it's evaluating textbooks or creating lecture notes to help students with difficult concepts, CourseSmart can make life a little easier. Find out how when you visit www.coursesmart.com/instructors.

The following supplements are available for students:

CourseSmart for Students. CourseSmart goes beyond traditional expectations—providing instant, online access to the textbooks and course materials you need at an average savings of 60%. With instant access from any computer and the ability to search your text, you'll find the content you need quickly, no matter where you are. And with online tools like highlighting and note-taking, you can save time and study efficiently. See all the benefits at www.coursesmart.com/students.

Acknowledgments

There are many people to acknowledge for their contributions to and support of this book. First, we would like to express gratitude to those individuals at Pearson Canada who were responsible for making this book a reality. Our gratitude goes to the expertise provided by Deana Sigut, Acquisitions Editor; Suzanne Simpson Millar, Developmental Editor; Leanne Rancourt, Copyeditor; Rachel Thompson, Project Manager; and Rashmi Tickyani, Production Editor. Suzanne merits our deep gratitude for her dedicated attention to and rigorous work on this text.

Thanks also go to those who reviewed our proposals and earlier drafts of this text:

Julius Bankole	University of Northern British Columbia
Edith Callaghan	Acadia University
Cuiping Chen	University of Ontario Institute of Technology
Shawna DePlonty	Sault College
Susan Graham	University of Prince Edward Island
Brent Groen	Trinity Western University
Eytan Lasry	York University
Anthony Mallette	Southern Alberta Institute of Technology
Angelo Papadatos	Dawson College
Raymond Paquin	Concordia University
Jennifer Percival	University of Ontario Institute of Technology
Robert Soroka	Dawson College
Trent Tucker	University of Guelph
Michael Wade	Seneca College
Kent Walker	University of Windsor
Bill Waterman	Mount Allison University

We would also like to express gratitude to all of contributors to this text. Professors You-Ta Chuang, David Doorey, and Eytan Lasry for their author contributions to Chapters 5, 2, and 7, respectively. We are grateful as well to our students, who have provided comments on a regular basis.

We wish to thank our colleagues for their insights and suggestions, including Paulette Burgher, Keith Lehrer, Peter Modir, Peter Tsisis, Indira Somwaru, and Vita Lobo. Our thanks also go to textbook contributors Joseph Adubofuor, Amy Bitton, Anya Cyznielewski, Ziv Deutsch, Melanie Gammon, Jason Guriel, Gillian Gurney, Shu-Hui Huang, Imran Kanga, Ezra Karakowsky, Chris Kirkpatrick, Orlando Lopez, Karen Rabideau, Akiva Stern, Paul Thomson, and Janu Yasotharan. Your input and assistance were much appreciated!

Finally, we wish to express appreciation to our family members for their patience, understanding, and support. We dedicate this book to you.

Len Karakowsky

Natalie Guriel

About the Authors



Len Karakowsky is a professor of management at York University. He earned his Ph.D. from the Joseph L. Rotman School of Management at the University of Toronto, his MBA from the Schulich School of Business at York University, and his Bachelor of Commerce from the University of Toronto. He has served on the faculty of York University since 1997.

Professor Karakowsky is an award-winning instructor who has been teaching business management courses for almost 20 years. In 2004, he helped launch Canada's first executive master's degree program in the School of Human Resource Management at York University.

Several years later he assisted in the establishment of the doctoral program in human resource management at York University.

Professor Karakowsky's research and consulting interests include the areas of leadership development, organizational change, demographic diversity, and corporate social responsibility. His research has been published extensively in such journals as *Leadership Quarterly*, *Journal of Applied Psychology*, *Administration and Society*, *Journal of Management Studies*, *Group and Organization Management*, *Journal of Management Development*, *Small Group Research*, *Journal of Management Systems*, *International Business Review*, and many others. He has authored award-winning papers and co-authored the text *Business and Society: Ethics and Stakeholder Management* (Canadian Edition) for Thomson Nelson publishers.



Natalie Guriel is a faculty member in the School of Administrative Studies at York University. She holds a master's degree in management and professional accounting from the Joseph L. Rotman School of Management, University of Toronto, and an honours bachelor of arts degree in political science from the University of Toronto. Her professional designations were earned from the Canadian Institute of Management and include Chartered Manager, Certified in Management, and Professional Manager.

Professor Guriel has enjoyed teaching business management courses at York University for over 10 years. She has also taught undergraduate and graduate business courses at several other universities across Canada. Her teaching interests are varied and range from business management to financial accounting, management accounting, and

taxation. She has received recognition for her teaching excellence and for her contributions to curriculum development.

Professor Gurriel began her career as a taxation and accounting specialist for Deloitte. She later worked in a variety of management-related roles in the software, retail, and service industries. She is a member of the Canadian Institute of Management as well as the Academy of Management in the United States.