

# SOLUTIONS

## CHAPTER 1

### Vocabulary

1. a. private property  
b. profit  
c. freedom of choice  
d. fair competition
2. a. natural resources  
b. human resources  
c. capital  
d. entrepreneurship
3. capitalism
4. partnership
5. brand
6. competition
7. competitive differentiation
8. consumer orientation
9. private enterprise system
10. branding
11. business
12. outsourcing
13. technology
14. relationship era
15. vision
16. nearshoring
17. strategic alliances
18. offshoring
19. factors of production
20. entrepreneurs
21. diversity
22. not-for-profit organizations
23. relationship management
24. transaction management
25. creativity
26. critical thinking

### Analysis of Learning Objectives

**LO 1.1:** 1. T, 2. F, 3. F, 4. F.

**LO 1.2:** 1. a, 2. d, 3. b, 4. c.

**LO 1.3:** 1. T, 2. T, 3. T, 4. F., 5. F, 6. F, 7. T

**LO 1.4:** 1. F, 2. T, 3. T, 4. T, 5. T, 6. T, 7. a, 8. d, 9. b

**LO 1.5:** 1. T, 2. T, 3.F, 4. F, 5. T

**LO 1.6:**

1. Vision: Seeing market place needs and methods an organization can use to satisfy them.
2. Critical thinking skills: the ability to analyze and assess information in order to pinpoint problems or opportunities. It involves the ability to look beneath the surface and determine the authenticity, accuracy, and worth of information, knowledge and arguments.
3. Creativity: the capacity to develop novel solutions and to see new and better ways of doing things.
4. Ability to steer change: the skill of recognizing employee strengths and motivating people to adapt to the changes brought about by technology, marketplace demands, and global competitiveness.

**LO 1.7:** 1. b, 2. c, 3. d, 4. a, 5. b

## Solutions 1-2

### Self Review

**True or False:** 1. T, 2. F, 3. F, 4. F, 5. T, 6. T, 7. F, 8. F, 9. T, 10. F, 11. T, 12. T

**Multiple Choice:** 1. c, 2. d, 3. a, 4. c, 5. b, 6. d, 7. b, 8. c, 9. e, 10. c

### Application Exercises

1. The colonial society
  - a. Mainly agricultural.
  - b. The United States was importing manufactured products from England.
2. The industrial Revolution.
  - a. Rapid construction and expansion of the railroad system.
  - b. Large scale production with rail transportation as means for wide distribution.
3. The age of industrial entrepreneurs.
  - a. Advances in technology and increased demand for manufactured goods.
  - b. Individuals began to act as risk takers, starting their own businesses.
4. The production era.
  - a. Emphasis on producing more goods faster.
  - b. Focus on internal processes such as assembly-line production.
5. The marketing era.
  - a. The competitive business environment brought the need for identifying and satisfying target markets.
  - b. Growth in advertising, market and consumer research.
6. The relationship era.
  - a. Focus shifts to establishing long term relationships with customers, suppliers, and to building partnerships and strategic alliances to further competitive differentiation.
  - b. Reliance on information technology to develop long-term relationships and sustain customer satisfaction.

### Short Essay Questions

1. The four basic rights awarded to citizens living in a private enterprise system are private property, profit, freedom of choice and fair competition. The right to private property is the right to own and use property, and is a primary motivation for hard work in the private enterprise economics. The right to profit means that an entrepreneur can expect to keep after tax profits earned by taking a business risk. This is both the incentive and reward to taking the risk in the first place. The right to freedom of choice means people in a free enterprise system can select careers, change jobs, and even open their own businesses. It also means that they will generally have a choice between competing producers when they want to make a purchase. Likewise, they will have many choices of investment opportunities, including owning all or part of a business. Finally, people living in a private enterprise system can expect that competition should be fair. The U.S. government, for example, has passed laws that outlaw price discrimination, fraud in financial markets, and deceptive practices in advertising and packaging. The intent of such laws is to eliminate

“cutthroat” competition that might harm consumers, the competitive environment, and the natural environment.

2. In the 1990s business moved from transaction management to relationship management. Relationship management makes use of information technology, partnerships, and strategic alliances to build and sustain long-term relationships with customers, suppliers, and other outside groups. Relationship management also depends increasingly on a talented, diverse workforce to serve and understand the multicultural global market. Contributions and creativity of workers is crucial, so new employee-employer partnerships have arisen to develop and retain better relationships with customers and other outside groups. Finally, management must engage in ethical business practices and consider social responsibilities to the wider society to assure the firm’s long-term success.