

EBERT GRIFFIN STARKE DRACOPOULOS

BUSINESS ESSENTIALS

EIGHTH CANADIAN EDITION



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BUSINESS **ESSENTIALS**

EIGHTH CANADIAN EDITION

RONALD J. EBERT

UNIVERSITY OF MISSOURI-COLUMBIA

RICKY W. GRIFFIN

TEXAS A&M UNIVERSITY

FREDERICK A. STARKE

UNIVERSITY OF MANITOBA

GEORGE DRACOPOULOS

VANIER COLLEGE AND MCGILL UNIVERSITY

PEARSON

Toronto

Editorial Director: Claudine O'Donnell
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To Fran, for bringing a lifetime of friendship, fun, and love into our family.

—R.J.E.

For Paul and Sherry—Friends for life.

—R.W.G.

To Ann, Eric, and Grant.

—F.A.S.

To Nitsa and Costa Dean.

—G.D.

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HELPING STUDENTS BUILD A SOLID BUSINESS KNOWLEDGE FOUNDATION

Welcome to the eighth Canadian edition of *Business Essentials*. If you're like many students, you may be starting this term with some questions about why you're here. You may be taking this course at a community college, CEGEP, or university, and you may be taking it in a traditional classroom setting or online. Whatever the case, you may be wondering just what you're supposed to get from this course and how it will benefit you—in short, “How will this help me?”

This is a survey course designed to introduce you to the exciting and challenging world of business, both in Canada and elsewhere. It is designed to fit the needs of a wide variety of students. You may be taking it as the first step toward earning a degree in business, or you may be thinking about business and want to know more about it, or you may know you want to study business but are unsure of the area you want to pursue. You may plan to major in another field but want some basic business background and are taking this course as an elective. Or you may be here because this course is required or a prerequisite for another course. Whatever your situation, this course will be helpful to you.

If you don't have a lot of work experience, you might be uncertain regarding what the business world is all about. If you have a lot of work experience, you might be a bit skeptical about what you can actually learn from an introductory course. One of our biggest challenges is to write a book that meets the needs of such a diverse student population, especially when we acknowledge the legitimacy of your right to ask, “How will this help me?” We also want to do our best to ensure that you find the course challenging, interesting, and useful. To achieve this goal, we think it is helpful to use the old metaphor about people wearing different “hats” as they go through life. Every individual has different roles to play in different settings. For example, your roles might include student, child, spouse, employee, friend, and/or parent. You can think of each of these as requiring a different hat—when you play the role of a student, for example, you wear one hat, but when you leave campus and go to your part-time job, you put on a different one. From the perspective of studying and interfacing with the world of *business*, there are at least four distinct “hats” that you might wear:

- *The employee hat.* One hat is “worn” as an employee working for a business. Most people wear this hat throughout their working career. To wear it successfully, you will need to understand your “place” in the organization—your job duties and responsibilities, how to get along with others, how to work with your boss, what your organization is all about, and so on. You'll begin to see how best to wear this hat as you learn more about organizing business enterprises in Chapter 7 and how organizations manage their human resources in Chapter 8, and as in several other places in this book.
- *The employer or boss hat.* Another business hat many people wear is as an employer or boss. Whether you start your own business or get promoted within someone else's, people will be working for

you. You'll still need to know your job duties and responsibilities, but you'll also need to understand how to manage other people—how to motivate and reward them, how to lead them, how to deal with conflict among them, and the legal parameters that may affect how you treat them. Chapters 3, 6, 8, and 9 provide a lot of information about how you can best wear this hat, although information about the role of employer is found throughout the book.

- *The consumer hat.* Even if you don't work for a business, you will still wear the hat of a consumer. Whenever you fill your car with Petro-Canada gasoline, purchase something on Amazon, buy clothes at Zara or Reitmans, or download a song from iTunes, you're consuming products or services created by businesses. To wear this hat effectively, you need to understand how to assess the value of what you're buying, your rights as a consumer, and so on. We discuss how you can best wear this hat in Chapters 1, 3, 12, and 13.
- *The investor hat.* The final business hat many people wear is that of an investor. You may buy your own business or work for a company that allows you to buy its stock. You may also invest in other companies through the purchase of stocks or shares of a mutual fund. In order for you to invest wisely, you must understand some basics, such as financial markets, business earnings, and the costs of investment. Chapters 4, 11, 14, and 15 will help you learn how to best wear this hat.

Most people wear more than one of these hats at the same time. Regardless of how many hats you wear or when you may be putting them on, you will interact with many different businesses in different ways. Knowing how to best wear all of these hats is what this book is all about.

The world is populated with a breathtaking array of businesses and business opportunities. Big and small businesses, established and new businesses, broad-based and niche businesses, successful and unsuccessful businesses, global and domestic businesses—regardless of where your future plans take you, we hope you will look back on this course as one of your positive first steps.

Keep in mind that what you get out of this course depends on at least three factors. One is this book, and the information about business you will acquire as a result of reading it. Another is your instructor, a dedicated professional who wants to help you grow and develop intellectually and academically. The third is YOU. Learning is an active process that requires you to be a major participant. Simply memorizing the key terms and concepts in this book might help you achieve an acceptable course grade, but true learning requires that you read, study, discuss, question, review, experience, evaluate—and wear the four hats—as you go along. Tests and homework are necessary, but we hope you will finish this course with new knowledge and increased enthusiasm for the world of business. Your instructor will do his or her part to facilitate your learning. The rest, then, is up to you. We wish you success.

CHAPTER MATERIAL

NEW & UPDATED! Chapter Opening Cases Each chapter begins with a description of a problem or opportunity that is facing a Canadian company, or a general issue that impacts many different businesses in Canada. These chapter opening cases help students to bridge the gap between theory and practice. Topics include supermarket mergers, the fair trade movement, stories about Canadian entrepreneurs, corporate reorganizations, changes in Canadian manufacturing, new product marketing, credit-card traps, and many others that will be of great interest to students. Questions for Discussion at the end of each opening case direct student attention to important issues in the chapter that they should consider.

Google Keeps Growing



Eric Corn/Alamy

they were satisfied that they had developed something with commercial value, they tried to license the technology to other search companies. As luck would have it, they couldn't find a buyer and settled instead for procuring enough investment capital to keep refining and testing their product.

In 2000, Brin and Page ran across the description of a business model on the concept of selling advertising in the form of sponsored links and search-specific advertisements. They adapted it to their own concept and went into business for themselves, eventually building Google into the world's largest search engine. Google processes more than 11 billion searches a month by a user base of 380 million people in 181 different countries using 146 languages. Following an initial public offering (IPO) in 2004, the company's market capitalization increased to more than \$43 billion by 2012, when Google controlled about two-thirds of the search market. That was more than Microsoft and Yahoo combined.

Google is much more than a search engine. Services include searches for news, shopping, local businesses,

Sergey Brin and Larry Page met at Stanford University in 1995, when both were graduate students in computer science. At the time, Page was working on a software development project that was designed to create an index of websites by scouring sites for keywords and other linkages. Brin joined him on the project, and when

new product or service in the marketplace, and the activities they carried out in order to be successful. The fourth—*The Greening of Business*—analyzes the steps businesses are taking to be more environmentally friendly. Critical thinking questions appear at the end of each boxed insert to motivate students to think about what they have read.

E-BUSINESS AND SOCIAL MEDIA SOLUTIONS

The Truth About Your Online Customer Service

Effective decision making requires good, timely information. Retailers in particular are constantly monitoring trends and competitor actions in order to improve their standing with consumers.

Online purchases keep increasing as shoppers enjoy easy access to more and more products from the comfort of home. However, poor customer service can disappoint and anger customers, resulting in lost sales. So how good is a company's online customer service, especially compared to that of its online competitors? StellaService Inc. answered that question by providing a better way to measure online service, enabling it to become a market winner for online shoppers and retailers alike.

Following its start-up in 2010, StellaService (Stella) spent two years gathering data on customer satisfaction with thousands of online retailers, including giants like Amazon.com. They measure satisfaction in four service areas—phone support, email support, delivery, and returns/refunds—for each retailer. Each area includes from 9 to as many as 25 different measurements. Phone

support, for example, considers speed of answering the call and respondent's knowledge of the product among its nine measurements. Delivery measurements include delivery time and product accuracy. By combining the various measurements, consumers can find summary scores for each of the four service areas. Results provide rankings of competitors showing where each retailer currently stands relative to competitors in each of the four areas of service. Rankings allow period-to-period tracking, revealing trends for improvements in each of the areas across time for each company.

With these measurements Stella hopes to better inform consumers on the range of customer service they can expect from online retailers. Knowing that success hinges on the validity and believability of their methods, Stella uses an independent third-party rating system, "Secret shoppers" (trained employees) use strict and controlled measurement methods as they engage online retailers via emails, phone calls, and live chats to purchase, await deliveries, or make returns for refunds. As added assurance for validity the company maintains a "Customer Service Measurement Process Audit" detailing its measurements and pro-

cedures for gathering and processing data, with specific steps to assure accuracy and validity.

Recently, in its Independent Auditing Report, KPMG stated that Stella's methodologies are complying with their stated policies. This confirmation should help in Stella's latest move: offering subscription services to retailers. Subscribers can, for the first time, receive measured data showing their standing, along with competitors, on phone support, email support, delivery, and returns/refunds. This service allows retailers to base decisions on objective and independent information about their online customer service. It looks like the company is on to something. They have already enlisted major retailers like Walmart and Ralph Lauren, raised more than US\$22 million in venture capital, and received the greatest compliment (as well as a financial boost) when Google licensed StellaService's data in order to rate retailers on its search engine.

CRITICAL THINKING QUESTIONS

- How do the results of customer service reports influence a manager's decisions? In answering this question refer to Figure 6.1 (the control process).

NEW! Examples of Business Practice In addition to the boxed inserts, each chapter contains numerous examples of how actual Canadian and international businesses operate so that students can gain a better understanding of the dynamics of business practice in both Canada and elsewhere. These examples—which range in length from one sentence to several paragraphs—help students understand concepts that are discussed in the text.

NEW & UPDATED! Key Terms In each chapter, the key terms that students should know are highlighted in the text and defined in the margin.

NEW & UPDATED! Figures and Tables The latest available data appear in tables and figures throughout the text.

END-OF-CHAPTER MATERIAL

UPDATED! Summary of Learning Objectives The material in each chapter is concisely summarized, using the learning objectives as the organizing scheme. This helps students understand the main points that were presented in the chapter.

NEW & UPDATED! Assisted-Grading Writing Assignments Two types of questions are included at the end of each chapter: *analysis questions* (which require students to think beyond simple factual recall and apply the concepts they have read about) and *application exercises* (which ask students to apply what they have learned). The exercises, designed to help students increase their understanding of how business firms actually operate, require students to engage in practical activities such as interviewing managers about concepts and issues discussed in the chapter. Selected end-of-chapter questions (identified by the symbol >>>) have been built as *assisted-graded assignments* within MyBizLab to help assess students' written communication skills. Each question is built with marking rubrics to help facilitate the grading of these assignments.

NEW & UPDATED! There's an App for That! Each chapter includes a description of several useful apps related to the chapter material. These apps allow students to understand business concepts in new and dynamic ways.

THERE'S AN APP FOR THAT!	
APP DETAILS	PLATFORMS
1. McKinsey Insights Source: McKinsey and Company Key Features: The latest thinking on the biggest issues facing senior executives, everything from leadership and corporate strategy to globalization and technology's impact on business and society.	Apple, Android
2. SWOT Chart Source: K. Kaleeswaran Key Features: Strategic planning method used to evaluate strengths, weaknesses, opportunities, and threats.	Apple, BlackBerry, Windows
3. Goal Tracker: SmartGoals Source: MSurf Lab Key Features: Tool to help you set SMART (specific, measurable, attainable, reasonable and timely) goals.	Android

APP DISCOVERY EXERCISE
 Since app availability changes, conduct your own search for the "Top Three" management apps and identify the key features.

NEW & UPDATED! Boxed Inserts on Key Topics The text contains four series of boxed inserts positioned at strategic points in the chapters. The first—*E-Business and Social Media Solutions*—describes how rapidly changing technology has provided business firms with many new ways to connect with customers. The second—*Managing in Turbulent Times*—explains how businesses in Canada and elsewhere are trying to cope with the volatility and uncertainty that exists in the contemporary business world. The third—*Entrepreneurship and New Ventures*—provides real-life examples of entrepreneurs who saw an opportunity to provide a

QUESTIONS AND EXERCISES

QUESTIONS FOR ANALYSIS

1. How are the four functions of management related to the five skills of management? Use examples to clarify your answer.
2. What is the relationship between Mintzberg's roles of management and the more traditional functions of management? Use examples to clarify your answer.
3. Identify the managers by level and area at your college or university.
4. Can you identify any organizations where the technical skills of top managers are more important than human relations or conceptual skills? Can you identify organizations in which conceptual skills are not important at all?

APPLICATION EXERCISES

7. Interview a manager at any level of a local company. Identify the manager's job according to level and area. Explain what planning, organizing, directing, and controlling mean in terms of the manager's job. Give examples. Also indicate which management skills are most important for the manager's job.
8. Review the example of the decisions made by Airbus and Boeing regarding new large aircraft. Then research the most current information on the status of the two planes. Which company seems to have made the better decision?

5. What differences might you expect to find in the corporate cultures of a 100-year-old manufacturing firm based in Winnipeg and a 5-year-old e-commerce firm based in Ottawa?
6. Consider the various corporate-level strategies discussed in the chapter (concentration, growth, integration, diversification, investment, reduction). What is the relationship between these various strategies? Are they mutually exclusive? Complementary? Explain.

9. Interview an administrator at your college or university and get that person's views on the school's strengths and weaknesses and on the threats and opportunities the school is facing. Then use this information to write up a SWOT analysis for the school.
10. Select any organization of which you are a member (your company, your family, your place of worship, or a club). Explain the relevance of the management functions of planning, organizing, directing, and controlling for that organization.

NEW & UPDATED! Building Your Business Skills Exercise

This feature asks students to examine some specific aspect of business. While working in a group context, students gather data about an interesting business issue, and then develop a written report or a class presentation based on the information that was gathered. Each exercise begins with a list of goals, a description of the situation, a step-by-step methodology for proceeding, and follow-up questions to help students focus their responses to the challenge.

NEW & UPDATED! Exercising Your Ethics: Team Exercise

A team ethics exercise describes a situation that involves an ethical dilemma. Students are then asked several questions that focus on how to approach and resolve the dilemma. In the exercise, students take on the role of employee, owner, customer, or investor and examine a chapter-related business ethics dilemma through the perspective of that role. By working as a team, students learn how to cooperate, see an ethical dilemma from various points of view, and decide what outcome is ultimately best in each situation.

NEW & UPDATED! End-of-Chapter Case

Each chapter concludes with a case study that focuses on a real Canadian or international company. The cases are designed to help students apply the chapter material to a company or an issue currently in the news. At the end of each case, several Questions for Discussion guide students in their analysis.

BUSINESS CASE 6

CORPORATE CULTURE

Corporate culture is sometimes defined simply as "the way we do things around here." A corporate culture can emphasize a variety of things. Consider the following examples:

- At Telus Corp., customer service is the cornerstone of its culture; during one quarter in 2014, the company attracted 113 000 new customers, more than either BCE or Rogers.
- At competitor Rogers Communications, the culture emphasizes the well-being of employees; this includes offering employees discounts on products.
- At CIBC, the culture includes three core values: teamwork, trust, and accountability; these three values create a culture of providing high quality service to customers.
- At MEG Energy, the corporate culture encourages all employees to share *innovative ideas*; this leads to advancements in sustainable technology.

Two interesting questions arise regarding corporate culture:

1. What happens if two companies with widely differing cultures merge?
2. What happens if there is a culture clash within an organization? That is, what if top managers disagree with lower-level employees about the kind of culture the organization should have?

MERGING COMPANIES WITH DIFFERENT CULTURES

During the past few years, there have been several high-profile mergers between companies with different cultures, and these combinations often caused difficulties.

Vale and Glencore Plc. In 2014, the Brazilian mining company Vale and the Swiss miner Glencore Plc. discussed merging their nickel assets in Sudbury. But the idea was finally abandoned when it became clear that the two companies had significantly different corporate cultures. One point of concern was each company's view of risk: Vale's culture was risk-averse, while Glencore's culture was much more risk-seeking.



There were also disagreements about how to share the costs of the merger. This is an interesting situation, because a few years earlier Inco and Falconbridge had talked about combining their Sudbury assets,

but then Inco was purchased by Vale, and Xstrata purchased Falconbridge. Then Glencore bought Xstrata.

Vale and Inco. When Vale bought Inco, there was also a "culture clash." Shortly after the purchase, there was a meeting of executives of both companies, but the meeting ended suddenly when one of the Brazilian managers lost his temper. That was the first sign the cultures of the companies were different enough that problems were going to be evident. Over the next few months, many Canadian managers, engineers, and operating staff left the company. For example, of 29 managers who were involved in a strategy session shortly after the merger, only 6 were still there a few months later.

In retrospect, it is clear that the cultures of the companies were quite different prior to the takeover. At Inco, there was a constant exchange of ideas, and decentralized decision making was encouraged by top management. But at Vale, top managers gave orders and expected them to be followed. Not surprisingly, Vale encountered resistance from Inco executives who did not agree with that approach. There were also differences in the products the companies focused on before Vale bought Inco. Vale's focus was on iron ore, a basic commodity mined using a relatively simple technology. But the underground mining of nickel, a key ingredient in stainless steel, is a more complex undertaking. One Inco manager likened nickel mining to having a PhD, while iron ore mining was like having a high school diploma. Canadian managers obviously felt some disdain for their new Brazilian bosses.

The cultural differences between the two companies were not limited to the top level of management. Some years earlier, the miner's union had given up annual wage increases in return for a bonus based on the price of nickel. When the price of nickel soared, workers

END-OF-PART MATERIAL

NEW! Video Cases Several video cases are presented at the end of each of the five major parts of the text. Some of the videos are from the CBC *Dragons Den* series, others from Pearson's *Business Today* series. The instructor can show them in class and then either conduct a discussion using the questions at the end of the written case summary as a guide or ask students to complete a written assignment that requires answering the questions at the end of the case. This approach adds a positive dynamic to classes, because students will be able to relate text material to actual Canadian business situations.

CBC VIDEO CASE 3-1



ZERONEXT

THE COMPANY

Mathieu Desjardins and Claude Pinet, entrepreneurs from Montreal, are trying to change the look—indeed the very thinking—behind wine cooler technology. The Renoir is a design-driven, wall-mounted, silent fridge that stores 30 bottles and displays them like a piece of artwork. This is not like the standard appliance it attempts to replace. It is unique not only in aesthetic design but also in functional design, with side access panels and cutting-edge electronic cooling that does not require a compressor. It is silent . . . it is beautiful . . . and it comes with five optional art frames to complete the look. The Renoir retails for about \$4500. For more details on the company, go to zeronext.com.

THE PITCH

The owners of Zeronext asked for \$500 000 in return for 20 percent ownership of the company (valued at \$2 500 000). Zeronext has projected sales of approximately \$1 million dollars (by year-end). Mathieu and Claude are seeking the investment and the support of the dragons to help them expand and to address existing interest in Europe and the United States.

THE DRAGONS' POINT OF VIEW

The dragons seemed very interested in the product, and they loved the design, but the consensus was that Zeronext should have charged a higher price in order to increase the margins after Mathieu revealed that the Renoir had a 40 percent markup (when sold to distributors). Arlene was concerned; she indicated that they probably only ended up with 10 percent on the bottom line. Claude said that the margins were going to improve in the coming months because of the economies of scale, which are associated with higher sales volume. However, the dragons insisted that they should increase the price by a few hundred dollars. This is a premium product and charging \$4999 rather than \$4499 would probably not make a huge difference to consumer demand but it would mean a lot to the company's bottom line.

Vikram Vij began the process of negotiation by offering to pay the \$500 000 asking price for a 35 percent stake rather than 20 percent. He

also seemed confident that this product would be a good fit for luxury condo builders in Vancouver. Soon after, Michael Wekerle increased the stakes when he offered \$1 000 000 for 40 percent; he also asked Jim Treiving to join him on the deal. He believed that this product should be targeted at high-end hotels. Jim Treiving agreed to join forces with Michael Arlene Dickinson said she loved the product but only as a potential consumer not as an investor. Finally, Davis Chilton told the owners not to give up the extra equity; he offered exactly what they asked: \$500 000 for 20 percent.

THE OUTCOME

After discussing the pros and cons of the offers, the entrepreneurs decided that they would indeed give up 40 percent of the company for \$1 million to Jim Treiving and Michael Wekerle. They believed that giving up the higher percentage was worth it if the extra funding could help them expand quicker into the U.S. market.

QUESTIONS FOR DISCUSSION

1. In this section of the course we cover key accounting terms such as revenues, expenses, margins, and markups. Trace the discussion that the owners had with the dragons, and highlight the key accounting terms and how they were used by the dragons to help them make their points and analyze the situation.
2. Do you think the owners did a good job in this pitch? (From an accounting point of view? From an operations point of view? What was the high point and what was the low point from the owners' perspective?)
3. Do you think it was wise for the owners of Zeronext to sell 40 percent equity in the company? In the short term? In the long term? (Support your answers.)

Source: "ZeroNext," *Dragons' Den*, Season 9, Episode 19 (April 22, 2015).

BUSINESS TODAY VIDEO CASE 3-1

RUDI'S BAKERY

Rudi's Organic Bakery operates a state-of-the-art, small-batch bakery. The company bakes about 16 million loaves of bread annually and ships its products across the country. When Hanno Holm, the chief operating officer, first started working at Rudi's, there was a lot of discussion among employees that there was a quality problem due to excessive variation in the colour of the loaves being made. In one three-month period, about 4.5 million loaves were produced, and the company received just 60 complaints. But none of those complaints were actually about the colour of the bread; they were about bubbles in the bread.

Holm realized that the company had to define quality the same way consumers defined it, and in this case it meant that Rudi's had to focus on reducing the number of bubbles instead of the colour. Since the bubbles could be seen in uncut loaves, they had to develop a system

for solving the problem. With some research they found they could buy a machine that broke air bubbles as the loaves were being produced. The result was a more uniform mass of dough and far fewer bubbles. This reduced consumer complaints. Holm says that quality management means focusing on how to solve quality problems that consumers talk about, not just ones that workers talk about.

QUESTIONS FOR DISCUSSION

1. How is "quality" defined in the text? Is Hanno Holm's definition of quality consistent with the text definition? Explain.
2. How is the concept of total quality management relevant here?
3. What different tools for quality assurance are available to managers? Which ones would be most appropriate for Rudi's bakery?

Crafting a Business Plan The business plan project is tailor-made to match and reinforce text content. It is *software-independent* and provides students with an easy-to-understand template that they work from as they create their business plans. The business plan project is divided into logical sections, and each part (e.g., marketing, production, finance, and so on) is located at the end of the section where that material is covered. With the five parts of the business plan distributed throughout the book, students can gradually apply the concepts they've learned in the chapters to their business plans throughout the course.

SUPPLEMENTAL CONTENT

There are five supplements to the text.

- The first supplement—**A Brief History of Business in Canada**—is found at the end of Chapter 1. The material in this supplement (summarized in the text and included in its entirety online in MyBizLab) outlines the development of business activity in Canada over the past 300 years.

- The second supplement—**Business Law**—is found at the end of Chapter 3. It includes key topics such as contracts, the concept of agency, warranties, copyrights and trademarks, and bankruptcy.
- The third supplement—**Using Technology to Manage Information in the Internet and Social Media Era**—is included at the end of Chapter 11. It focuses on the impact IT has had on the business world, the IT resources businesses have at their disposal, the threats that information technology pose for businesses, and how businesses protect themselves from these threats. There is also an important section on the role of social media platforms in the modern business world.
- The fourth supplement—**Managing Your Personal Finances: A Synopsis**—is found at the end of Chapter 14. The material in this supplement (briefly summarized in the text and included in its entirety online in MyBizLab) presents a down-to-earth, hands-on approach that will help students manage their personal finances. Included in the supplement is a worksheet for determining personal net worth, insightful examples demonstrating the time value of money, a method for determining how much money to invest now in order to build a nest egg of a certain size, suggestions on how to manage credit-card debt, guidelines for purchasing a house, and a personalized worksheet for setting financial goals.
- The fifth supplement—**Insurance as Risk Management**—is found at the end of Chapter 15. It provides information on insurable versus uninsurable risks, the different types of insurance products available, and special forms of business insurance.

WHAT'S NEW IN THE EIGHTH CANADIAN EDITION?

New content has been included in all chapters. An illustrative (but not exhaustive) list follows:

Chapter 1—New material on the government as a regulator, the activities of the Competition Bureau and its concerns about anti-competitive behaviour, the debate about the advisability of government bailouts of companies, public-private partnerships (so-called P3s), problems in the provision of essential services to Canadians (e.g., increasing electricity rates in the province of Ontario), and Canada's supply management system.

Chapter 2—New information on the business cycle, the CPI measure, and mergers and acquisitions.

Chapter 3—New information on corruption and bribes in international business activity, a survey of global managers indicating their perception of corruption in various countries, how to incorporate various ethical norms into management decision making, the fair trade movement, price fixing, and counterfeit goods.

Chapter 4—New information on small business employment, issues in taking over a family business, and the top corporations in Canada.

Chapter 5—New information about the BRICS nations and the Comprehensive Economic and Trade Agreement (CETA).

Chapter 6—New information on the planning process managers at McDonald's use to try to improve the company's performance, what is expected in a manager's job, how social media makes the activities of managers more visible to the public, the importance of managers having "soft" skills" (as opposed to technical skills), decision-making skills, and the importance of contingency planning.

Chapter 7—New information on the obstacles to effective delegation of authority, "tall" and "flat" organization structures, and structural issues that Canadian companies must address when they "go global."

Chapter 8—New information on the concept of the realistic job preview, behaviour-based interviewing, the legal status of random drug testing of employees, needs analysis in making training decisions, mentoring programs, guidelines for ensuring performance appraisal is effective, workforce management systems, retirement trends in Canada, workforce diversity, the development of Canadian labour unions, union membership in Canada, and union organizing strategies and their success rate.

Chapter 9—New material on personality traits (including concepts such as locus of control, self-efficacy, and authoritarianism), attitudes (including cognition, affect, and intention), McClelland's acquired needs theory, the concept of power (legitimate, reward, coercive, expert, and referent power), and three leadership theories (path-goal, decision-tree, and leader-member exchange theories).

Chapter 10—New material on the difference between "make-to-order" and "make-to-stock" production strategies, capacity planning, process and product layouts, operations scheduling, international productivity comparisons, and supply chain disruptions.

Chapter 11—Updated information about the new CPA accounting designation, the transition process currently taking place, and the evolving role of the modern accountant.

Chapter 12—New material on the steps in developing a marketing plan, marketing strategy, and market research.

CHAPTER SUPPLEMENT 03

Using Technology to Manage Information in the Internet and Social Media Era

Throughout the text, we examine how the internet and the emergence of social media have improved communications, revolutionized distribution, augmented human resource practices, revolutionized industries (and threatened others), developed new marketing communication channels, and changed the most basic business systems. In this supplement, we will begin by providing additional information about the internet and social media. We will also examine the evolving role of technology in managing information.

INTERNET USAGE

Before we look into the specific impact of the internet on business, let's examine some of the key Canadian internet statistics. As regards speed, Hong Kong has the fastest internet connections in the world; Canada ranks 17th.¹ However, Canada ranks ninth among G20 countries in terms of internet contribution to GDP. Canadian also spend an average of 36.3 hours per month on their computers (not including the vast amount of time spent on mobile devices) which ranks first in the world.² In addition, 94 percent of Canadians who live in households with incomes above \$35 000 are connected (only 56 percent for households with incomes below \$30 000 per year).³ These figures will continue to increase for the next few years.

The federal government has also set its sights on increasing and improving the connectivity in rural settings. The improved infrastructure will help increase rural access, build further opportunities for companies wishing to sell to rural Canadian clients, and provide more incentive and opportunity for small businesses to operate in rural settings.⁴

THE IMPACT OF INFORMATION TECHNOLOGY (IT)

No matter where we go, we can't escape the impact of information technology (IT)—the various devices for creating, storing, exchanging, and using information in diverse modes, including images, voice, multimedia, and business data.

E-COMMERCE Buying and selling processes that make use of electronic technology.

INTERNET MARKETING The promotional efforts of companies to sell their products and services to consumers over the internet.

Email, texting, and instant messaging have become staples in business, and even such traditionally "low tech" businesses as hair salons and garbage collection companies are becoming dependent on the internet, computers, and networks. As consumers, we interact with database every time we withdraw money from an ATM, order food at McDonald's, use an Apple or Android application to order food or movie tickets, or check on the status of a package at UPS or FedEx.

IT has had an immense effect on businesses—in fact, the growth of IT has changed the very structure of business organizations. Its adoption has altered workforces in many companies, contributed to greater flexibility in dealing with customers, and changed how employees interact with each other. E-commerce has created new market relationships around the globe.

We begin by looking at how businesses are using IT to bolster productivity, improve operations and processes, create new opportunities, and communicate and work in ways not possible before.

THE IMPACT OF THE INTERNET ON MARKETING

E-commerce refers to buying and selling processes that make use of electronic technology, while internet marketing refers to the promotional efforts of companies to sell their products and services to consumers over the internet.⁵




Photo: Reuters

¹ In 2015, Barack Obama was still an avid BlackBerry user. Despite calls for him to join the iPhone crowd, he resisted. The BlackBerry provides a superior encryption system for secure messaging with advisors and colleagues.

Chapter 13—New information on the unique challenges faced by e-businesses in pricing their products, online consumer engagement, mobile and other advertising media, direct (interactive) marketing, publicity, and public relations.

Chapter 14—New information on plastic money (credit cards and debit cards), the top banks and credit unions in Canada, and the Big Mac Index statistics.

Chapter 15—New information on financial planning, managing risk with diversification, return on investment, the time value of money, fantasy stock markets, mutual funds, and securities regulation.

SUPPLEMENTS

MyBizLab 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 disci-

plines 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.

- **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.
- **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.
- **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.
- **Problem-Based Learning Assignments.** Problem-Based Learning assignments encourage students to ask questions, think critically, solve problems and, if working in a group, engage with others. Problem-Based Learning assignments help students assume responsibility for their own learning, helping them to exercise leadership, and facilitate their ability to apply their knowledge. Students who actively participate in their own learning process are better able to link concept to application.

eText The Pearson eText gives students access to their textbook anytime, anywhere. In addition to enabling note taking, highlighting, and bookmarking, the Pearson eText offers interactive and sharing features. Rich media options may include videos, animations, interactive figures, and built-in assessments, all embedded in the text. Instructors can share their comments or highlights, and students can add their own, creating a tight community of learners within the class.

The Pearson eText may include a responsive design for easy viewing on smartphones and tablets. Many of these eTexts now have configurable reading settings, including resizable type and night-reading mode.

ADDITIONAL INSTRUCTOR RESOURCES

Instructor resources are password-protected and available for download via www.pearsoncanada.ca/highered.

UPDATED! Test Bank The updated Test Bank, in Microsoft Word format, contains approximately 4000 multiple-choice, critical thinking, true/false, short-answer, and essay questions. Bloom’s Taxonomy tagging and textbook page references tied to each question will help in assessing students. This robust Test Bank is also available in computerized format (see below).

Computerized Test Bank Pearson’s computerized test banks allow instructors to filter and select questions to create quizzes, tests, or homework. Instructors can revise questions or add their own, and may be able to choose print or online options. These questions are also available in Microsoft Word format.

UPDATED! Instructor’s Resource Manual The Instructor’s Resource Manual contains chapter synopses, chapter

outlines, teaching tips, in-class exercises, solutions to case studies, and answers to the critical thinking questions found at the end of each boxed insert. The manual also provides answers to the end-of-chapter exercises, including Building Your Business Skills and Exercising Your Ethics. Answers are also provided for the Questions for Discussion at the end of the CBC and Business Today video cases in each of the five major parts of the text.

UPDATED! PowerPoint® Presentations PowerPoint Presentations offer an average of 40 slides per chapter, outlining the key points in the text. Improved visuals, unique examples, and quick-check questions are provided. The slides also include lecture notes, summaries, and suggestions for student activities or related questions from the text.

Learning Solutions Managers 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 on this service program.

Your Pearson Education Canada Sales Representative Your Pearson sales rep is always available to ensure you have everything you need to teach a winning course. Armed with experience, training, and product knowledge, he or she will support your assessment and adoption of any of the products, services, and technology outlined here to ensure our offerings are tailored to suit your individual needs and the needs of your students. Whether it's getting instructions on TestGen software or specific content files for your new online course, your representative is there to help. Ask your Pearson sales representative for details.

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ABOUT THE AUTHORS

Ronald J. Ebert is Emeritus Professor at the University of Missouri–Columbia where he lectures in the Management Department and serves as advisor to students and student organizations. Dr. Ebert draws upon more than 30 years of teaching experience at such schools as Sinclair College, University of Washington, University of Missouri, Lucian Blaga University of Sibiu (Romania), and Consortium International University (Italy). His consulting alliances include such firms as Mobay Corporation, Kraft Foods, Oscar Mayer, Atlas Powder, and John Deere. He has designed and conducted management development programs for such diverse clients as the American Public Power Association, the United States Savings and Loan League, and the Central Missouri Manufacturing Training Consortium.

His experience as a practitioner has fostered an advocacy for integrating concepts with best business practices in business education. The five business books he has written have been translated into Spanish, Chinese, Malaysian, and Romanian. Dr. Ebert has served as the editor of the *Journal of Operations Management*. He is a past president and fellow of the Decision Sciences Institute. He has served as consultant and external evaluator for *Quantitative Reasoning for Business Studies* an introduction-to-business project sponsored by the National Science Foundation.

Ricky W. Griffin is Distinguished Professor of Management and holds the Blocker Chair in Business in the Mays School of Business at Texas A&M University. Dr. Griffin currently serves as executive associate dean. He previously served as head of the Department of Management and as director of the Center for Human Resource Management at Texas A&M. His research interests include workplace aggression and violence, executive skills and decision making, and workplace culture. Dr. Griffin's research has been published in such journals as *Academy of Management Review*, *Academy of Management Journal*, *Administrative Science Quarterly*, and *Journal of Management*. He has also served as editor of *Journal of Management*. Dr. Griffin has consulted with such organizations as Texas Instruments, Tenneco, Amoco, Compaq Computer, and Continental Airlines.

Dr. Griffin has served the Academy of Management as chair of the organizational behaviour division. He also has served as president of the southwest division of the Academy of Management and on the board of directors of the Southern Management Association. He is a fellow of both the Academy of Management and the Southern Management Association. He is also the author of several successful textbooks, each of which is a market leader. In addition, they are widely used in dozens of countries and have been translated into numerous foreign languages, including Spanish, Polish, Malaysian, and Russian.

Frederick A. Starke is Emeritus Professor of Organizational Behaviour in the Asper School of Business at the University of Manitoba. He has taught courses in organizational behaviour, organization theory, decision making, and marketing. He has served in several administrative positions, including Head of the Department of Business Administration (from 1982 to 1987 and from 1989 to 1994), and as Associate Dean of the Asper School of Business (from 1996 to 2005).

Dr. Starke earned his BA and MBA from Southern Illinois University and his PhD in Organizational Behavior from Ohio State University.

He has published research articles in such scholarly journals as *Administrative Science Quarterly*, *Journal of Applied Psychology*, *Academy of Management Journal*, *Journal of Management Studies*, and *Journal of Business Venturing*. He has written articles for professional journals, such as the *Journal of Systems Management*, *Information Executive*, and the *Canadian Journal of Nursing Administration*. Dr. Starke also writes textbooks that are used by university and community college students in business programs across Canada. These titles include *Organizational Behaviour*, *Business Essentials*, *Management*, and *Business*. Dr. Starke also presents seminars on the topics of decision making and goal setting to practising managers in both the public and private sectors.

George Dracopoulos is a member of the Business Administration department at Vanier College. In the past, he has served as chairman of the department but is now devoting significant energy to his role as the International Business Exchange Coordinator. In the past decade, George has created links and built bridges with universities and businesses throughout France and Belgium. To date, hundreds of students have benefitted from these initiatives. He is also the co-organizer and co-founder of the national BDC/Vanier Marketing Case Competition and was recently awarded with the distinction as the Vanier VIP for his dedication and devotion to the community.

Mr. Dracopoulos also serves as a lecturer at McGill University, teaching traditional and online courses. He recently worked on an online broadcast pilot-project and has built courses geared primarily towards aboriginal students. He was honoured (among a select group) as Professor of the Year by a McGill University publication for his work in the Desautels Faculty of Management. He earned his MBA at McGill, and a graduate Diploma in Education and Graduate Degree in Applied Management. He earned his BA at Concordia University. Mr. Dracopoulos is an advocate of experiential learning and dedicates a significant amount of class time to hands-on projects. His primary interests are in the fields of marketing and management. While completing his university education, he spent a semester abroad studying management globalization issues in Europe. He has also spent a considerable amount of time coaching high-level sports and organizing events.

Outside his teaching career, Mr. Dracopoulos has worked in marketing and sales positions and provides marketing and management solutions (e.g., brand audits, customer relationship surveys, strategic consultations, IMC campaigns, and so on). He has also built web-based materials and training documents for clients in various industries, including aviation/IT solutions, publishing, office supplies, sound and music products, and higher education. Mr. Dracopoulos has been invited to provide motivational speeches and/or keynote addresses at major events across North America on topics such as Connecting with Millennials, Effective Communication, and Transformational Leadership.

In addition to this text, he has worked on many publishing projects, including *Business in Action* In-Class Edition, second Canadian edition (2009), co-authored with Courtland L. Bovée and John V. Thill, and *Business*, eighth Canadian edition (2014), co-authored with Ricky Griffin, Ronald J. Ebert, Frederick Starke, and Melanie Lang.

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BUSINESS ESSENTIALS



PART 1

INTRODUCING THE CONTEMPORARY BUSINESS WORLD

LO

AFTER READING THIS CHAPTER, YOU SHOULD BE ABLE TO:

- LO-1 Define the nature of Canadian *business* and identify its main goals.
- LO-2 Describe different types of global *economic systems* according to the means by which they control the *factors of production* through *input* and *output markets*.
- LO-3 Describe the interactions between business and government in Canada.
- LO-4 Show how *demand* and *supply* affect resource distribution in Canada.
- LO-5 Identify the elements of *private enterprise*, and explain the various *degrees of competition* in the Canadian economic system.

Combining the Whopper and the Timbit



In August 2014, U.S.-based Burger King and Canadian-based Tim Hortons announced plans to merge. But there was a big surprise: the new company—named Restaurant Brands International—would have its headquarters in Canada, not in the United States. Annual sales would be more than \$23 billion, making it the third-largest company in the fast food industry. The announcement generated a great deal of debate and concern in both Canada and the United States.

To obtain approval for the merger from Investment Canada, the new company agreed to keep the Tim Hortons



brand separate from the Burger King brand, to maintain significant employment levels at Tim Hortons, to guarantee that at least 50 percent of the Tim Hortons board of directors would be Canadians, and to maintain Tim Hortons' pre-merger level of charity work in Canada.

Approval for the merger also had to be obtained from the Canadian Competition Bureau. The Bureau concluded that the merger would not reduce competition in the industry because there are so many competing fast food restaurant chains. But the Canadian Centre for Policy Alternatives

Understanding *the* Canadian Business System