Test Bank for Essentials of Contemporary Management CDN 5th Jones

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TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

1) Globalization has resulted in restricted capital flows.
Answer: True ✓ False

2) Globalization is a set of forces that work together to integrate and connect systems across countries.
Answer: ✓ True False

3) With globalization, nations become increasingly similar and interdependent.
Answer: ✓ True False

4) The organizational environment changes over time and therefore presents managers with opportunities and threats.
Answer: ✓ True False

5) The organization's internal environment is divided into the task environment and the general environment.
Answer: True ✓ False

6) The internal organizational environment includes the culture and structure of the organization.
Answer: ✓ True False

7) The task or industry-specific environment is a set of external forces that affect an organization's ability to obtain inputs and dispose of outputs.
Answer: ✓ True False

8) The task or industry-specific environment includes economic, technological, socio-cultural, demographic, political and legal, and global forces.
Answer: True ✓ False

9) The general environment includes economic, technological, socio-cultural, demographic, political and legal, and global forces.
Answer: ✓ True False

10) The general environmental forces pose easily identifiable opportunities and threats for managers.
Answer: True ✓ False

11) Forces in the task or industry-specific environment have immediate and direct effects on a managers' ability to obtain resources or sell an organization's goods and services.
Answer: ✓ True False

12) Overseas suppliers are increasingly specializing in just one part of the task of producing a product.
Answer: ✓ True False

13) The power of a distributor may get stronger if there are too many options for manufacturers and wholesalers to sell their products directly to customers.
Answer: True ✓ False

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14) Suppliers are individuals or firms that provide an organization with inputs that it needs to produce goods and services.
Answer: True False

15) Differences in customer preferences result in many companies standardizing products for different national markets.
Answer: True False

16) The suppliers, customers, and distributors that affect the organization's ability to obtain inputs and to sell its outputs are forces in the task or industry-specific environment.
Answer: True False

17) The wide ranging set of forces and conditions that operate beyond an organization's boundaries and affect the organization are known as forces in the general environment.
Answer: True False

18) For the typical manager, opportunities and threats which result from changes in the task or industry-specific environment are more difficult to identify than events in the general environment.
Answer: True False

19) The task environment is also known as the industry-specific environment.
Answer: True False

20) Organizations which help other organizations to sell their goods and services to customers are known as distributors.
Answer: True False

21) Groups which buy goods that another organization produces are known as suppliers.
Answer: True False

22) An organization's "competitors" are those organizations which try to sell their goods to the same customers as the organization is trying to sell its goods.
Answer: True False

23) A shift in the age distribution of the population of Canada is an example of a demographic force.
Answer: True False

24) The outcomes of the changes in the laws of a country are examples of the political and legal forces in the environment.
Answer: True False

25) Economic forces in the general environment include interest rates, inflation, and unemployment.
Answer: True False

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26) The global financial meltdown in 2008 was a result of too much risk-taking and not enough oversight.
Answer: True False

27) The manager's job is being fundamentally changed by new technology.
Answer: True False

28) The social structure of a country affects the socio-cultural forces acting on organizations.
Answer: True False

29) Declining barriers to trade and investment have facilitated globalization.
Answer: True False

30) The free-trade doctrine predicts that if each country agrees to specialize in the production of the goods and services that it can produce most efficiently, this will make the best use of global capital resources and will result in lower prices.
Answer: True False

31) Barriers of distance and culture have closed the global environment and kept managers focused on their domestic market.
Answer: True False

32) Since the end of the Second World War, a continuing stream of advances in communications and transportation technology has worked to reduce the barriers of distance and culture that affected Unilever and all global organizations.
Answer: True False

33) One of the most important innovations in transportation technology that has opened the global environment has been the growth of commercial jet travel.
Answer: True False

34) The establishment of free-trade areas creates an opportunity for manufacturing organizations because it lets them reduce their costs.
Answer: True False

35) Some managers view regional free-trade agreements as a threat because they expose a company based in one member country to increased competition from companies based in the other member countries.
Answer: True False

36) In general, the larger an organization is, the greater is the number of environmental forces that managers must respond to.
Answer: True False

37) There are four principal forms of capital flow between countries in the global economy.
Answer: True False

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38) The task of the top-management team in reducing the impact of environmental forces, is to create strategies that will take advantage of opportunities and counter threats.
Answer: True False

39) The main task of middle managers is to collect relevant data on forces in the task environment.
Answer: True False

40) Marketing department managers handle pressures from suppliers.
Answer: True False

41) Sales and service department managers handle pressures from customers.
Answer: True False

42) Financial managers and accounting departments handle the forces in the economic realm.
Answer: True False

43) Changes in technological forces are dealt with by Research and Development department managers.
Answer: True False

44) The highest degree of uncertainty for a manager occurs when the rate of change and the degree of complexity in the environment is high.
Answer: True False

45) By better connecting companies' success with societal improvement, it opens up many ways to serve new needs, gain efficiency, create differentiation, and expand markets.
Answer: True False

46) Shared value creation focuses on identifying and expanding the connections between societal and economic progress.
Answer: True False

47) The prominence of global organizations is putting pressure on managers of all organizations to improve their performance.
Answer: True False

48) To gain a competitive advantage in the global economy, firms can use five building blocks.
Answer: True False

49) The four building blocks of a competitive advantage are increasing efficiency, offering superior quality, creating new or better products, and being responsive to customer needs.
Answer: True False

50) Managers face the following challenges in today's global economy: creating shared value in building a competitive advantage, maintaining ethical standards, and utilizing new technologies.
Answer: True False

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MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

51) Which of the following represents a threat to managers by large distributors?
A) Increasing orders
B) Socio-cultural impact
C) Controlling customer access to an organization's goods and services
D) Changing demographics
E) None of these choices are correct
Answer: C

52) Which of the following could be an example of a customer of a computer manufacturer, such as Acer Canada?
A) small businesses
B) individuals
C) government agencies
D) colleges
E) all of these choices are correct
Answer: E

53) The combination of equipment and skills which managers use in the production and distribution of goods is known as:
A) competitive advantage
B) technology
C) inflation
D) economies of scale
E) the general environment
Answer: B

54) All of the following are examples of the industry-specific or task environment of the organization EXCEPT:
A) competitors
B) customers
C) technological forces
D) suppliers
E) distributors
Answer: C

55) Organizations which produce goods that are similar to another organization's goods are known as:
A) distributors
B) suppliers
C) customers
D) competitors
E) none of the choices are correct
Answer: D

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56) Regional trade agreements like NAFTA result in all except which of the following?
A) Declining barriers to trade
B) Decline in labour intensive production in Canada and the USA
C) Increased capital flows between partner nations
D) Decreased competition
E) Opportunities for managers to expand internationally
Answer: D

57) All of the following are examples of the general environment of the organization EXCEPT:
A) global forces
B) demographic forces
C) legal and political forces
D) distributors
E) technological forces
Answer: D

58) Organizations which supply another organization with the raw materials which it needs to produce goods are known as:
A) customers
B) suppliers
C) distributors
D) competitors
E) potential competitors
Answer: B

59) Organizations which help other organizations to sell their goods to customers are known as:
A) potential competitors
B) distributors
C) competitors
D) customers
E) none of these choices are correct
Answer: B

60) Changes in the work patterns of women such as a larger percentage of mothers with children under the age of five are working would be an example of which type of force on the organization?
A) general environment
B) political environment
C) task environment
D) legal environment
E) economic environment
Answer: A

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61) If a major firm suddenly creates a new product which makes the products of its competitors obsolete, this is an example of a force in which type of environment?
A) economic environment
B) general environment
C) political environment
D) legal environment
E) task environment
Answer: E

62) The outcomes of the changes in the laws of a society are known as:
A) political and legal forces
B) technological forces
C) demographic forces
D) economic forces
E) none of the choices are correct
Answer: A

63) Social structure and national culture are examples of which type of force in the general environment?
A) political and legal forces
B) economic forces
C) demographic forces
D) technological forces
E) none of the choices are correct
Answer: E

64) _____ are outcomes of changes in international relationships, changes in nations' economic, political, and legal systems, and changes in technology.
A) Economic systems
B) Political systems
C) Technologies
D) Global forces
E) Legal systems
Answer: D

65) The four building blocks of a competitive advantage are:
A) Effectiveness, quality, customer responsiveness, innovation
B) Efficiency, quality, customer responsiveness, innovation
C) High performance, quality, efficiency, innovation
D) Efficiency, effectiveness, quality, customer responsiveness
E) Effectiveness, customer responsiveness, innovation, efficiency
Answer: B

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66) Which of the following is an example of a political and legal force in the environment?
A) privatization
B) emphasis on environmental protection
C) emphasis on safety on the job
D) deregulation
E) all of these choices are correct
Answer: E

67) Modern communications and transportation technologies have done all but this:
A) Increased barriers to trade and investment
B) Speeded travel
C) Facilitated global communication networks
D) Reduced the cultural differences among countries
E) Made reliable, secure, and instantaneous communication possible
Answer: A

68) The path of globalization is shaped by the ebb and flow of which types of capital?
A) Political
B) Resource
C) Financial
D) Human
E) All of the choices are correct
Answer: E

69) Which of the following is a task of the top-management team in reducing the impact of environmental forces?
A) Collect relevant information on the task environment.
B) Get close to customers to learn what they want.
C) Find ways to use resources more efficiently.
D) Create strategies that will take advantage of opportunities and counter threats.
E) None of these choices are correct.
Answer: D

70) Which of the following is a task of the middle manager in reducing the impact of environmental forces?
A) Create strategies that will take advantage of opportunities and counter threats.
B) Get close to customers to learn what they want.
C) Find ways to use resources more efficiently.
D) Collect relevant information on the task environment.
E) None of these choices are correct.
Answer: D

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71) The organizational environment is comprised of:
A) Forces that present managers with opportunities
B) Forces that present managers with threats
C) Forces that are internal to the organization
D) Forces that are external to the organization
E) All of these choices are correct
Answer: E

72) Which of the following is a tax that a government imposes on goods imported into one country from another?
A) Tariff
B) Inflation
C) Interest rates
D) GATT
E) All of the choices are correct
Answer: A

73) Which of the following is an economic force in the environment?
A) economic growth
B) inflation
C) interest rates
D) unemployment
E) all these choices are correct
Answer: E

74) Historically, barriers of distance and culture closed the global environment because:
A) Communication over great distances was difficult
B) Business was difficult to control over great distances
C) International telephone and telegraph services were unreliable
D) Different countries have different sets of national beliefs, values, and norms
E) All of the choices are correct
Answer: E

75) The population of Canada is "aging" in the sense that the average age of Canadians increases each year. This is an example of which type of force in the environment?
A) technological
B) economic
C) political
D) demographic
E) legal
Answer: D

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76) Pressures from customers are handled by:
A) Finance and Accounting departments
B) Legal and Public Relations departments
C) Sales and Services departments
D) Research and Development departments
E) Marketing departments
Answer: C

77) Pressures from competitors are handled by:
A) Legal and Public Relations departments
B) Finance and Accounting departments
C) Research and Development departments
D) Sales and Services departments
E) Marketing and Strategy departments
Answer: E

78) Changes in technological forces are handled by:
A) Marketing departments
B) Finance and Accounting departments
C) Sales and Services departments
D) Legal and Public Relations departments
E) Research and Development departments
Answer: E

79) Changes in economic forces are handled by:
A) Marketing departments
B) Legal and Public Relations departments
C) Research and Development departments
D) Finance and Accounting departments
E) Sales and Services departments
Answer: D

80) The impact of national culture on managing in a global economy means that:
A) Organizations with international management teams are role models
B) Managers must understand, empathize, and work with multiple cultures
C) Managers must better appreciate how cultures differ
D) Countries with a great deal of diversity will produce great global managers
E) All of these choices are correct
Answer: E

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81) The set of forces which lead to interdependence and similarities among nations is known as:
A) social structures
B) national cultures
C) the organizational environment
D) stakeholders
E) globalization
Answer: E

82) The organization's external environment can be divided into these categories:
A) Organizational structure
B) Organizational culture
C) Internal threats and opportunities
D) Strengths and weaknesses
E) Task or industry-specific and general environments
Answer: E

83) When an organization's customers put pressure on the organization to reduce prices on its goods, this is a force in the organization's:
A) industry-specific environment
B) socio-cultural environment
C) political environment
D) legal environment
E) general environment
Answer: A

84) Individuals who buy goods that an organization produces are known as:
A) customers
B) distributors
C) suppliers
D) potential competitors
E) competitors
Answer: A

85) Globalization is driven by the free movement of which of the following?
A) Human capital
B) Financial capital
C) Political capital
D) Resource capital
E) All of these choices are correct
Answer: E

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86) Which of the following is an example of a demographic force in the environment?
A) sexual orientation
B) race
C) ethnic origin
D) gender
E) all of these choices are correct
Answer: E

87) The degree to which forces in the environment change over time is known as
A) economic change
B) technological change
C) sociocultural change
D) environmental change
E) political change
Answer: D

88) Which of the following is an example of a force in the task or industry-specific environment of an organization?
A) customers
B) competitors
C) distributors
D) suppliers
E) all of these choices are correct
Answer: E

89) When a competitor negotiates a long-term contract with a supplier of raw materials, this is an example of an impact on your organization's:
A) general environment
B) task environment
C) legal environment
D) political environment
E) socio-cultural environment
Answer: B

90) If the population of Canada is shifting from the East to the West, this is an example of which type of force in the environment?
A) Political
B) Legal
C) Demographic
D) Economic
E) Technological
Answer: C

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91) Which of the following is included in the organization's general environment?
A) global forces
B) socio-cultural forces
C) legal and political forces
D) technological forces
E) all these choices are correct
Answer: E

92) Forces within the organization which result from the organization's structure and culture are known as:
A) the general environment
B) the task environment
C) the internal environment
D) the external environment
E) none of the choices are correct
Answer: C

93) Overseas suppliers can pose a threat to managers of organizations in all but one of the following ways:
A) They are the sole source of an input.
B) They offer low cost, high quality parts/inputs.
C) The input is vital to the organization.
D) If their position is strong.
E) None of these choices are correct.
Answer: B

94) Canadian managers face two main challenges in the global environment, including:
A) building a competitive advantage while maintaining ethical standards, and utilizing new kinds of information systems and technologies
B) managing a diverse and aging work force
C) organizational size and types
D) the political and legal climates
E) reliance on fossil fuel and industrial technology
Answer: A

95) Managers face a number of challenges in the global environment, including:
A) creating shared value
B) managing a diverse work force
C) the political and legal climates
D) the types of organizations
E) organizational size
Answer: A

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SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.

96) Explain how managers can minimize threats and uncertainty from forces in the external environment. Identify three forces from your own experience that contribute to the complexity and rate of environmental change.

Answer: Managers must minimize threats from the forces that affect their organization's task environment and general environment by understanding the two factors that affect the degree of uncertainty: Two factors affect the nature of the opportunities and threats that organizations face: First, the level of complexity in the environment and second, the rate of change in the environment. The degree of uncertainty in the environment affects the decisions managers make to handle risks and threats. Top managers devise strategies to explore opportunities and counter threats to the entire organization. Middle managers gather relevant information on the forces acting in the task environment that will impact strategies to gain a competitive advantage. First line managers find ways to use resources efficiently and add value for the customer to build brand loyalty. The greater the uncertainty, the greater the need for management decisions to be flexible (to accommodate change). Student's answers will depend on their experiences.

97) For a computer manufacturing company, such as Hewlet-Packard, discuss its "task environment" and how this type of industry-specific environment places pressures on HP's managers on a daily basis.

Answer: HP's task environment includes its suppliers, distributors, customers, and competitors and all of these can have an impact on IBM's success in manufacturing and selling computers to its customers.

98) Discuss how the "general environment" of an organization can affect the ability of an organization to respond to opportunities and threats from its environment. Give a specific business example of a company that would be affected by its environment in this way.

Answer: Changes in economic forces, technological factors, sociocultural factors, demographic factors, political and legal factors, and international or global forces can all affect the ability of the organization to be successful, and can create either opportunities for growth and profit or threats to profitability depending upon the industry in which the organization operates. Examples will vary.

99) An organization's suppliers can have an important impact on the success of the organization. Discuss the various types of suppliers for Dell Canada and explain why these suppliers are important to Dell Canada's success.

Answer: Answers will vary.

100) An organization's competitors can have an important impact on the success of the organization. Discuss how IKEA was greatly impacted by this environmental force.

Answer: In an effort to remain competitive among strong rivalry from Target and other large retailers, including Amazon, IKEA is relentless at cost-cutting. IKEA aims to lower prices across its entire offering by an average of 2-3% each year. The iconic brand has loyal customers throughout the global economy.

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101) Customers are the most important group in the success of any company. Discuss the various types of customers that exist for IKEA and discuss how they need to respond differently to the needs of its different customer groups if it is to be successful.

Answer: IKEA is a global company with a cult following among its customers. It must supply the products that consumers demand. National cultures play a significant role in the decisions managers make to manage supply and demand. Americans like to fold their clothes, while Italians prefer to hang theirs. This difference in national customer norms resulted in changes to the design of wardrobes for each nation. The low-cost offerings of IKEA do not appeal to the Japanese, who prefer high quality goods, resulting in the failure of IKEA in that country.

102) Discuss the "four building blocks" of competitive advantage and give an example of a company that you feel uses each of these building blocks successfully in its production of goods and services.

Answer: The four blocks are increasing efficiency, innovation, customer responsiveness, and quality. Organizations increase efficiency when they reduce the resources used to produce goods and services. Many organizations are training their workforce in new skills and techniques. Organizations sometimes work together to increase efficiency and share infrastructure costs. If organizations are to compete against low-cost competition in other countries, their managers must increase efficiency. Increasing Quality: Global competition has increased pressure to increase quality of goods and services. Using Total Quality Management (TQM) workers are organized into quality control teams and given responsibility for monitoring the quality of goods they produce. Increasing Innovation: Innovation is creating new goods and services that customers want or developing better ways to produce those goods and services. Managers must create an environment in which people are encouraged to be innovative. Decentralizing control of work activities to team members creates a culture that rewards risk taking. Increasing Responsiveness to Customers: Training workers to be responsive to the needs of customers is vital for all organizations. Service organizations, in particular, depend entirely on their employees to perform a high quality service at reasonable cost. Achieving a competitive advantage requires manager to use all their skills and expertise to develop resources and achieve superior efficiency, quality, innovation, and/or customer responsiveness. Examples of companies will vary.

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103) Discuss how creating shared value can lead an organization to achieve a competitive advantage.

Answer: Creating Shared Value involves rethinking old ways of doing business that rely on simply shifting operations and activities to locations with ever lower wages as a sustainable "solution" to competitive challenges. The concept of shared value is defined by Porter and Kramer (HBR 2011) as "policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates. Shared value creation focuses on identifying and expanding the connections between societal and economic progress"such that all organizations in the supply and distribution chain flourish through enhanced community development. Companies can create economic and social value by reconceiving products and markets to include underserved urban and rural areas, redefining productivity in the supply chain by viewing the prosperity of direct producers as a benefit, not a cost to business, and by investing in building clusters of development within the communities in which they locate. In other words, supporting community economic development such as schools, infrastructure, and culture. Business as usual practice has been to squeeze suppliers to unsustainable profit margins and exploit resources while degrading the environment to obtain short-term profits. Creating shared value views these old practices as creating costs rather than benefits to business and society. "The concept of shared value resets the boundaries of capitalism. By better connecting companies' success with societal improvement, it opens up many ways to serve new needs, gain efficiency, create differentiation, and expand markets."

104) Managers need to understand how declining barriers to trade and distance between national cultures have affected the global economy. Discuss.

Answer: One of the main factors that has speeded globalization by freeing the movement of capital has been the decline in barriers to trade and investment. The reason for removing tariffs is that, very often, when one country imposes an import tariff, others follow suit and the result is a series of retaliatory moves as countries progressively raise tariff barriers against each other. Governments of countries that resort to raising tariff barriers ultimately reduce employment and undermine the economic growth of their countries because capital and resources will always move to their most highly valued use-wherever that is in the world. The free-trade doctrine predicts that if each country agrees to specialize in the production of the goods and services that it can produce most efficiently, this will make the best use of global capital resources and will result in lower prices. Countries that accepted this free-trade doctrine set as their goal the removal of barriers to the free flow of goods, services, and capital between countries regulated by the World Trade Organization. Historically, barriers of distance and culture also closed the global environment and kept managers focused on their domestic market. National cultures are based on values and norms that are deeply embedded in the society and that unite the citizenry of that country. Differences in national cultures have important implications for managers. Practices that are effective in Canada may not work as well in other countries. It is important for managers to understand and emphasize with customers who are culturally different. The Internet and its millions of websites facilitate the development of global communications networks and media that are helping to create a worldwide culture above and beyond unique national cultures.

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1) FALSE
2) TRUE
3) TRUE
4) TRUE
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6) TRUE
7) TRUE
8) FALSE
9) TRUE
10) FALSE
11) TRUE
12) TRUE
13) FALSE
14) TRUE
15) FALSE
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17) TRUE
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35) TRUE
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48) FALSE
49) TRUE
50) TRUE

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51) C
52) E
53) B
54) C
55) D
56) D
57) D
58) B
59) B
60) A
61) E
62) A
63) E
64) D
65) B
66) E
67) A
68) E
69) D
70) D
71) E
72) A
73) E
74) E
75) D
76) C
77) E
78) E
79) D
80) E
81) E
82) E
83) A
84) A
85) E
86) E
87) D
88) E
89) B
90) C
91) E
92) C
93) B
94) A
95) A

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96) Managers must minimize threats from the forces that affect their organization's task environment and general environment by understanding the two factors that affect the degree of uncertainty: Two factors affect the nature of the opportunities and threats that organizations face: First, the level of complexity in the environment and second, the rate of change in the environment. The degree of uncertainty in the environment affects the decisions managers make to handle risks and threats. Top managers devise strategies to explore opportunities and counter threats to the entire organization. Middle managers gather relevant information on the forces acting in the task environment that will impact strategies to gain a competitive advantage. First line managers find ways to use resources efficiently and add value for the customer to build brand loyalty. The greater the uncertainty, the greater the need for management decisions to be flexible (to accommodate change). Student's answers will depend on their experiences.

97) HP's task environment includes its suppliers, distributors, customers, and competitors and all of these can have an impact on IBM's success in manufacturing and selling computers to its customers.

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99) Answers will vary.

100) In an effort to remain competitive among strong rivalry from Target and other large retailers, including Amazon, IKEA is relentless at cost-cutting. IKEA aims to lower prices across its entire offering by an average of 2-3% each year. The iconic brand has loyal customers throughout the global economy.

101) IKEA is a global company with a cult following among its customers. It must supply the products that consumers demand. National cultures play a significant role in the decisions managers make to manage supply and demand. Americans like to fold their clothes, while Italians prefer to hang theirs. This difference in national customer norms resulted in changes to the design of wardrobes for each nation. The low-cost offerings of IKEA do not appeal to the Japanese, who prefer high quality goods, resulting in the failure of IKEA in that country.

102) The four blocks are increasing efficiency, innovation, customer responsiveness, and quality. Organizations increase efficiency when they reduce the resources used to produce goods and services. Many organizations are training their workforce in new skills and techniques. Organizations sometimes work together to increase efficiency and share infrastructure costs. If organizations are to compete against low-cost competition in other countries, their managers must increase efficiency. Increasing Quality: Global competition has increased pressure to increase quality of goods and services. Using Total Quality Management (TQM) workers are organized into quality control teams and given responsibility for monitoring the quality of goods they produce. Increasing Innovation: Innovation is creating new goods and services that customers want or developing better ways to produce those goods and services. Managers must create an environment in which people are encouraged to be innovative. Decentralizing control of work activities to team members creates a culture that rewards risk taking. Increasing Responsiveness to Customers: Training workers to be responsive to the needs of customers is vital for all organizations. Service organizations, in particular, depend entirely on their employees to perform a high quality service at reasonable cost. Achieving a competitive advantage requires manager to use all their skills and expertise to develop resources and achieve superior efficiency, quality, innovation, and/or customer responsiveness. Examples of companies will vary.

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103) Creating Shared Value involves rethinking old ways of doing business that rely on simply shifting operations and activities to locations with ever lower wages as a sustainable "solution" to competitive challenges. The concept of shared value is defined by Porter and Kramer (HBR 2011) as "policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates. Shared value creation focuses on identifying and expanding the connections between societal and economic progress"such that all organizations in the supply and distribution chain flourish through enhanced community development. Companies can create economic and social value by reconceiving products and markets to include underserved urban and rural areas, redefining productivity in the supply chain by viewing the prosperity of direct producers as a benefit, not a cost to business, and by investing in building clusters of development within the communities in which they locate. In other words, supporting community economic development such as schools, infrastructure, and culture. Business as usual practice has been to squeeze suppliers to unsustainable profit margins and exploit resources while degrading the environment to obtain short-term profits. Creating shared value views these old practices as creating costs rather than benefits to business and society. "The concept of shared value resets the boundaries of capitalism. By better connecting companies' success with societal improvement, it opens up many ways to serve new needs, gain efficiency, create differentiation, and expand markets."

104) One of the main factors that has speeded globalization by freeing the movement of capital has been the decline in barriers to trade and investment. The reason for removing tariffs is that, very often, when one country imposes an import tariff, others follow suit and the result is a series of retaliatory moves as countries progressively raise tariff barriers against each other. Governments of countries that resort to raising tariff barriers ultimately reduce employment and undermine the economic growth of their countries because capital and resources will always move to their most highly valued use-wherever that is in the world. The free-trade doctrine predicts that if each country agrees to specialize in the production of the goods and services that it can produce most efficiently, this will make the best use of global capital resources and will result in lower prices. Countries that accepted this free-trade doctrine set as their goal the removal of barriers to the free flow of goods, services, and capital between countries regulated by the World Trade Organization. Historically, barriers of distance and culture also closed the global environment and kept managers focused on their domestic market. National cultures are based on values and norms that are deeply embedded in the society and that unite the citizenry of that country. Differences in national cultures have important implications for managers. Practices that are effective in Canada may not work as well in other countries. It is important for managers to understand and emphasize with customers who are culturally different. The Internet and its millions of websites facilitate the development of global communications networks and media that are helping to create a worldwide culture above and beyond unique national cultures.

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