

1) A deliberately planned network or pattern of relationships among individuals in various roles or positions is a/an:

- a. organizational structure
- b. organizational strategy
- c. open system
- d. closed system

Answer: a

Diff: 1

Type: MC

Page Reference: 7

Skill: recall

Objective: Chapter 1- LO1

2) The distribution or grouping of work is often referred to as the organization's"

- a. management philosophy
- b. structure
- c. strategy
- d. labour design

Answer: b

Diff: 1

Type: MC

Page Reference: 7

Skill: recall

Objective: Chapter 1- LO1

3) The challenges inside an organization involve all of the following except:

- a. strategy
- b. leadership
- c. customers
- d. employees

Answer: c

Diff: 1

Type: MC

Page Reference: 6

Skill: recall

Objective: Chapter 1- LO1

4) Challenges evolving outside an organization involve all of the following except:

- a. downsizing the workforce due to a recession
- b. complying with a new safety regulation
- c. updating a computer system due to a new software upgrade
- d. training new employees on company policy

Answer: d

Diff: 1

Type: MC

Page Reference: 9

Skill: recall

Objective: Chapter 1- LO2

5) Inside an organization, executives must manage all of the following but not:

- a. workers
- b. strategy
- c. structure
- d. consumers

Answer: d

Diff: 2

Type: MC

Page Reference: 6

Skill: recall

Objective: Chapter 1- LO1

6) A global recession is a factor that can affect all organizations in all industries and therefore falls under the organization's:

- a. general environment
- b. specific environment

- c. task environment
- d. political environment

Answer: a

Diff: 2

Type: MC

Page Reference: 9

Skill: recall

Objective: Chapter 1- LO2

7) A rise in the price of an input in the automotive industry likely falls under the Ford Motor Company's:

- a. internal environment
- b. general environment
- c. task environment
- d. global environment

Answer: c

Diff: 2

Type: MC

Page Reference: 8-9

Skill: recall

Objective: Chapter 1- LO2

8) An external stakeholder can be all of the following except:

- a. customer
- b. unionized employee
- c. a service company hired to repair equipment
- d. competitor

Answer: b

Diff: 3

Type: MC

Page Reference: 8-9

Skill: recall

Objective: Chapter 1- LO2

9) A private accounting firm performing an audit on a company's financial statements and internal controls is a/an:

- a. internal stakeholder
- b. external stakeholder
- c. government department
- d. international vendor

Answer: b

Diff: 2

Type: MC

Page Reference: 8-9

Skill: applied

Objective: Chapter 1- LO2

10) An increase in part-time and temporary work arrangements, as a result of company downsizings, is most likely the result of influences by the:

- a. political force
- b. societal force
- c. economic force
- d. technological force

Answer: c

Diff: 2

Type: MC

Page Reference: 17

Skill: applied

Objective: Chapter 1- LO2

11) Canadian Tire increasing its advertising in response to Rona's marketing strategy is an example of the general environment's:

- a. marketing force
- b. competitive force
- c. global force
- d. societal force

Answer: b

Diff: 1

Type: MC

Page Reference: 18

Skill: applied

Objective: Chapter 1- LO4

12) A new hardware store opening causes a similar nearby store to reduce its prices on tools and construction supplies. This is likely a response to the:

- a. societal force
- b. technological force
- c. economic force
- d. competitive force

Answer: d

Diff: 1

Type: MC

Page Reference: 18

Skill: applied

Objective: Chapter 1- LO4

13) Business process re-design or re-engineering to increase efficiency in a manufacturing facility is likely due to the:

- a. societal force
- b. technological force
- c. political force
- d. economic force

Answer: b

Diff: 2

Type: MC

Page Reference: 10

Skill: applied

Objective: Chapter 1- LO3

14) Amazon, an online retailer, uses a feature to remember what you purchased and recommends new products to you. This is mainly an example of the:

- a. competitive force
- b. global force
- c. technological force
- d. societal force

Answer: c

Diff: 2

Type: MC

Page Reference: 8

Skill: applied

Objective: Chapter 1- LO3

15) A company decides to install a more efficient assembly-line in a factory in order to receive a tax credit. This is likely a response to the:

- a. manufacturing force
- b. technological force
- c. political force
- d. economic force

Answer: c

Diff: 2

Type: MC

Page Reference: 11

Skill: applied

Objective: Chapter 1- LO3

16) Canada's reduction in trade barriers such as tariffs and quotas is mainly an example of the:

- a. competitive and political forces
- b. global and societal forces
- c. economic and political forces
- d. global and political forces

Answer: d

Diff: 2

Type: MC

Page Reference: 27

Skill: applied

Objective: Chapter 1- LO3

17) The Alberta government's recycling fee on selected electronic products is an example of the:

- a. environment force
- b. political force
- c. technological force
- d. societal force

Answer: b

Diff: 2

Type: MC

Page Reference: 27

Skill: applied

Objective: Chapter 1- LO3

18) An increase in retirees is a demographic change creating a demand on industries such as health care and therefore, is an example of the:

- a. labour force
- b. environment force
- c. societal force
- d. competitive force

Answer: c

Diff: 2

Type: MC

Page Reference: 12

Skill: applied

Objective: Chapter 1- LO3

19) Companies going "green" to help the environment by reducing, reusing and recycling waste is mostly due to/the result of:

- a. societal demands
- b. global demands
- c. political demands
- d. economic demands

Answer: a

Diff: 2

Type: MC

Page Reference: 12

Skill: applied

Objective: Chapter 1- LO3

20) The media exposing a company's unethical workplace practices is an example of the:

- a. legal force
- b. societal force
- c. political force
- d. global force

Answer: b

Diff: 2

Type: MC

Page Reference: 12

Skill: applied

Objective: Chapter 1- LO3

21) A company volunteering to reduce unhealthy trans fats in French Fries is likely in response to:

- a. a change in consumer laws
- b. a change in consumer preferences
- c. a change in the economy
- d. a change in health industry regulations

Answer: b

Diff: 2

Type: MC

Page Reference: 12



Skill: applied

Objective: Chapter 1- LO3

22) Organizational learning involves all of the following except:

- a. adapting to the environment
- b. learning from their people
- c. reviewing an old technology
- d. contributing to the learning of the wider community

Answer: c

Diff: 2

Type: MC

Page Reference: 13

Skill: applied

Objective: Chapter 1- LO3

23) Two key issues that threaten the planet are:

- a. the depletion of natural resources and ongoing release of greenhouse gas emissions
- b. the increase of oil sands and the reduction of long-term profits
- c. the depletion of natural resources and the increase of oil sands
- d. the release of greenhouse emissions and the increase of oil sands

Answer: a

Diff: 2

Type: MC

Page Reference: 13-14

Skill: applied

Objective: Chapter 1- LO3

24) According to Statistics Canada, the unemployment rate in Canada has typically been in the range of:

- a. 6% to 12%
- b. 10% to 20%
- c. 3% to 5%
- d. 0% to 5%

Answer: a

Diff: 2

Type: MC

Page Reference: 15

Skill: recall

Objective: Chapter 1- LO4

25) Canadian banks are considered to be all of the following except:

- a. well-regulated
- b. well-capitalized
- c. well-staffed
- d. well-managed

Answer: c

Diff: 1

Type: MC

Page Reference: 16-17

Skill: recall

Objective: Chapter 1- LO4

26) Many economists debate what industry Canada currently has a global competitive advantage, but traditionally Canada has been known for its:

- a. smartphone industry
- b. natural resources industry
- c. furniture industry
- d. aviation industry

Answer: b

Diff: 1

Type: MC

Page Reference: 18-19

Skill: recall

Objective: Chapter 1- LO4

27) The natural resources industry faces all of the following challenges except:

- a. more substitute products
- b. less regulation
- c. greater foreign competition
- d. unfair competition practices

Answer: b

Diff: 2

Type: MC

Page Reference: 19

Skill: recall

Objective: Chapter 1- LO4

28) Over the last 50 years in Canada, there has been a significant shift in employment from the \_\_\_\_\_ industry to the \_\_\_\_\_ industries.

- a. natural resources; agricultural
- b. manufacturing; biotechnology
- c. agricultural; service
- d. natural resources; manufacturing

Answer: c

Diff: 2

Type: MC

Page Reference: 21

Skill: recall

Objective: Chapter 1- LO4

29) The 1994 North American Free Trade Agreement (NAFTA) is made up of:

- a. Canada, the U.S., Mexico and China
- b. Canada, the U.S. and Mexico
- c. Canada, the U.S., Mexico, and South America
- d. Canada, U.S., Mexico and Europe

Answer: b

Diff: 1

Type: MC

Page Reference: 25

Skill: recall

Objective: Chapter 1- LO4

30) Foreign investment in Canada is largely from:

- a. China
- b. the United States
- c. Europe
- d. India

Answer: b

Diff: 1

Type: MC

Page Reference: 26

Skill: recall

Objective: Chapter 1- LO4

1) If McDonald's wants to introduce a new, healthy salad on its menu, how could the 6 external forces potentially influence or impact McDonalds' efforts?

Answer:

External Force	Impact to McDonalds
Political	<p>Laws and regulations</p> <ul style="list-style-type: none"> <li>• McDonalds may need to comply with any food regulations (eg. nutritional labelling); health and safety regulations, regarding washing and storing the fresh food products; environmental legislation regarding the disposal of food waste.</li> <li>• Food Regulation Examples: <ul style="list-style-type: none"> <li>○ Canadian Food Inspection Agency (importing food)</li> <li>○ Food and Drugs Act</li> <li>○ Canadian Agricultural Products Act</li> <li>○ Consumer Packaging and Labelling Act</li> </ul> </li> <li>• McDonalds would have to continue with complying with all other laws and regulations such as employment and labour laws, human rights laws, tax laws, etc.</li> <li>• Regulations may increase compliance costs.</li> </ul> <p>Taxes</p> <ul style="list-style-type: none"> <li>• McDonalds would have to charge and collect sales taxes on the salad since it is a prepared food product.</li> <li>• Are there any potential eligible research and development tax credits (eg. Scientific Research and Experimental Development tax credit) for new product initiatives? Is McDonalds researching or experimenting with new product ingredients, dressings, etc to improve taste?</li> </ul> <p>International trade</p> <ul style="list-style-type: none"> <li>• McDonalds is a global company and has established trade relationships with suppliers in various countries. McDonalds may need to establish new suppliers in different countries depending on the ingredients of the salad.</li> <li>• McDonald's may need to import some special ingredients not in season and this may increase shipping, gasoline costs</li> <li>• McDonalds may need to comply with international trade agreements such as the North American Free Trade Agreement (NAFTA) on imported goods</li> <li>• Would there be any tariffs on any of the food ingredients it needs to import?</li> </ul> <p>Environmental fees/Garbage fees</p> <ul style="list-style-type: none"> <li>• How is the salad going to be served in a paper box or plastic</li> </ul>

	<p>container? Is it recyclable? Will this increase McDonalds' garbage or recycling fees if any? For example, do waste and recyclable items have to be disposed of in separate designated containers or bins?</p>
<p>Economic (The answer will depend on the economy at the time the question is answered).</p>	<p>Slow growth economy</p> <ul style="list-style-type: none"> <li>• If the economy is not good, it may be a good time to introduce another low-cost product item, that people can afford or people may have less disposable income and may be eating out less; therefore, may not be a good time to introduce a new product</li> <li>• If the economy is thriving, people may purchase less fast food and more upscale or gourmet food.</li> </ul> <p>Interest rates</p> <ul style="list-style-type: none"> <li>• If interest rates are still low, may be a good time to borrow money from the bank and invest in product development, since interest (financing) costs will be lower and will affect net profits.</li> <li>• If interest rates are high, financing costs may be too expensive.</li> </ul> <p>Currency value</p> <ul style="list-style-type: none"> <li>• If the Canadian dollar is depreciated compared to the U.S. dollar, it may be more expensive to buy imported ingredients from the U.S.</li> <li>• If the Canadian dollar is appreciated compared to the U.S. dollar, it may be less expensive to buy imported ingredients from the U.S.</li> </ul> <p>Unemployment</p> <ul style="list-style-type: none"> <li>• If unemployment rates are low, most people are employed, have income and may be more willing to eat since they can afford it.</li> <li>• If unemployment rates are high, many people are unemployed, do not have income and may not be willing to eat since they cannot afford it.</li> </ul> <p>Inflation</p> <ul style="list-style-type: none"> <li>• If inflation rates are low, interest rates are likely to remain low and therefore, it may be a good time for less expensive financing.</li> <li>• If inflation rates are high, interest rates may be raised and therefore, it may become expensive for financing.</li> </ul> <p>National debt</p> <ul style="list-style-type: none"> <li>• If national debt is high, this could negatively impact the economy. Taxes may be increased by government and reduce disposable income for individuals. Thus, this may reduce</li> </ul>

	<p>consumer spending and slow the economy further.</p> <ul style="list-style-type: none"> <li>• If national debt is low, this can be positive for the economy. The government will not have to spend taxpayer dollars on interest costs and there will likely be little impact to the economy.</li> </ul>
Technological	<p>Kitchen/Food Preparation</p> <ul style="list-style-type: none"> <li>• Each restaurant may need special refrigerator equipment to store the salads. There may be costs for new high-efficiency/environmentally-friendly cooking equipment or storing technology such as an energy-efficient fridge.</li> <li>• Each restaurant may require special kitchen tools (computer digitized equipment) to make the salad consistent and more time efficient.</li> </ul> <p>Service</p> <ul style="list-style-type: none"> <li>• Each cash register may need to be updated with new product information.</li> </ul> <p>Marketing</p> <ul style="list-style-type: none"> <li>• McDonalds may need to update its website (for menu items), nutrition calculators (on web site) and any special apps for smart phones.</li> </ul>
Societal	<p>Customer preferences</p> <ul style="list-style-type: none"> <li>• What are customers preferring these days? (Eg. unhealthy or healthy food?)</li> <li>• Will this product appeal to regular customers or new customers?</li> <li>• Will this bring in new customers to McDonald's?</li> <li>• Is the product something regular customers at McDonald's would want?</li> <li>• McDonalds is receiving pressure from a variety of stakeholders to provide healthier food choices.</li> <li>• Certainly, concerns over healthier eating, weight issues, risks of heart and stroke are forcing fast food outlets to improve food quality.</li> <li>• Introducing a new healthy salad, could help satisfy some stakeholders. (eg. parents, health organizations, media, etc)</li> </ul> <p>Socio-cultural factors</p> <ul style="list-style-type: none"> <li>• Employee morale may improve; employees may feel better about the company since the company is trying to provide healthier choices = may help increase employee productivity and/or reduce employee turnover = reduced training costs = increase in overall profits</li> </ul>

	<p>Compliance and Socially Responsible Business Behaviour</p> <ul style="list-style-type: none"> <li>• McDonalds will likely need to disclose nutritional information. For example, local versus imported ingredients; and actual ingredients in the salad.</li> <li>• McDonalds will need to ensure that its suppliers for the ingredients of the salad are abiding by laws and not engaging in any unethical activity or socially irresponsible behaviour that could cause damage to McDonald's reputation.</li> </ul>
Competitive	<p>Competitive environment:</p> <p>Type of competition</p> <ul style="list-style-type: none"> <li>• The type of competition is monopolistic competition with lots of sellers of slightly differentiated products due to design, brand and advertising.</li> </ul> <p>How competitive is the industry?</p> <ul style="list-style-type: none"> <li>• The industry is in the mature stage of the industry lifecycle model.</li> <li>• It is a highly competitive industry. There are thousands of competitors domestic and foreign, both small and large. However, McDonalds is the world's most recognized burger chain and is a leader in its products and approach to the burger business.</li> </ul> <p>Examples of competitors</p> <ul style="list-style-type: none"> <li>• Some examples of McDonalds' competitors include: <ul style="list-style-type: none"> <li>○ Burger restaurant competitors such as Burger King and Wendy's.</li> <li>○ Fast food outlet competitors such as KFC, Tim Hortons and Pizza Hut.</li> <li>○ Salad competitors such as grocery-store salad bars, and fast-food outlets that sell salads.</li> </ul> </li> </ul> <p>Possible reaction of competitors</p> <ul style="list-style-type: none"> <li>• Competitors may react by introducing a similar healthy product, lowering prices, increasing advertising, etc</li> </ul>
Global	<ul style="list-style-type: none"> <li>• Any global events affecting the introduction of the new product? (e.g. hurricanes, crops damaged, new trade agreements, new tariffs, etc.)</li> <li>• How quickly can this new product be introduced into its restaurants globally, or are there political, economic or other external forces that present challenges on a global basis?</li> <li>• Since McDonald's has franchises worldwide, McDonald's may</li> </ul>



	need to introduce the product globally
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## 2) THE BUSINESS WORLD

### Can Canadian Tire Flourish in a Rapidly Changing Business Context?

Canadian Tire has certainly become part of the fabric of Canadian society. It's been around since 1922 and has established itself as a solid Canadian retailer. Like the proverbial "underdog" Canadian hockey team, this Canadian retailer has managed quite well against a growing list of formidable US opponents. Over its 90-plus years, it has established approximately 500 stores across Canada, and with revenues close to \$13 billion in 2012, this is no retail slouch.

However, as the expression goes, the times they are a changin'. And the question is, "Can Canadian Tire continue to flourish in these changing times amidst the onslaught of US retailers to Canada?"

US retailers have been invading our retail sector for many years now. It's an invasion welcomed by most Canadian consumers, but certainly not by Canadian retailers. Home Depot, Walmart, and Target are just a few of Canadian Tire's adversaries. And the competition continues to heat up. 1

So what's a good ol' Canadian business to do? This is the question Canadian Tire is attempting to address. While the company clearly must have done something right to survive this long, some observers are puzzled by its success. In a recent Maclean's article, writer Chris Sorensen had this to say:

Newer stores, located in towns and cities across the country, are brighter and more airy, but largely house the same eclectic inventory—none of it particularly cheap and none of it terribly aspirational either. Customer service, meanwhile, varies wildly from store to store, the result of the company's independent—and bureaucratic—dealer ownership model. It all seems like a recipe for retail disaster, particularly as an army of welloiled U.S. big box chains—Wal-Mart, Home Depot and soon Target—continue their relentless march north of the border. Yet somehow, Canadian Tire remains standing,

earning profits of \$453 million on \$10.3 billion in retail sales last year, which was up three percent from a year earlier (Canadian Tire Corporation Ltd. also makes money through a banking operation, Canadian Tire Financial Services). 2

How has Canadian Tire managed to retain its place among the top 20 Canadian brands over the past several years?

Experts believe that a big part of Canadian Tire's appeal is a combination of familiarity and convenience. But that doesn't tell the whole story. Obviously, Canadian Tire has succeeded by understanding its environment and responding to changing business contexts.

The entrance of Target to the Canadian retail landscape has certainly made companies like Canadian Tire more vigilant and aware of the need to constantly evolve to best meet market demands. After feeling increased pressure from competitors, Canadian Tire has recently been revisiting its strategy. While not a direct competitor, Canadian

Tire competes with Target on a number of product lines, including small appliances, and Canadian Tire's subsidiary Mark's Work Wearhouse competes for clothing sales.

In an effort to streamline its decision making, Canadian Tire cut several senior management positions in 2012. It has taken a systematic approach to analyzing the industry and adopting strategies to keep ahead of the game. For example, among recent changes was Canadian Tire's decision to spend less of its advertising budget on small, grassroots events and more on mainstream media. The aim is to build more brand awareness of Canadian Tire. The nature of advertising will also change, with a greater emphasis on the Canadian Tire image rather than on specific products. While some have suggested that Canadian Tire should play up its Canadian roots to appeal to loyal Canadians, others feel that a strategy based on national sentiment is a waste of time; they believe that other more tangible actions should be taken. As Susan Krashinsky of the *Globe and Mail* observed:

Canadian Tire has survived past incursions by U.S. retailers such as Home Depot Inc. and Wal-Mart Stores Inc. The entry of Wal-Mart particularly caused the company to rethink the layout of its stores, change pricing policies and in more recent years, appeal to female shoppers more directly. It's efforts such as this, not Canadian roots, that proved most effective. 3

In 2013, Canadian Tire announced plans to significantly improve its digital technology practices, including a partnership with Communitex, a technology company based in Kitchener, Ontario. 4 The aim is to develop apps, content, and other digital innovations to improve the shopping experience of Canadian Tire customers, both online and in the store. Canadian Tire also recently relaunched its online store after executives aborted a previous attempt in 2009. Among the items sold online are tires and wheels, which have to be picked up at Canadian Tire stores where many will also be installed. This effort was in response to a growing trend of Canadians buying their tires online through US-based websites and having them shipped directly to local mechanics.

Among other changes has been a renewed focus on its automotive roots. In 2013, Canadian Tire opened a number of automotive concept stores that feature drive-in reception areas, express oil and lube services, and auto detailing. Canadian Tire also owns 87 specialty automotive PartSource stores. This is part of its strategic emphasis on auto parts, tools, home supplies, and sporting goods to combat increased competition.

Another area of change is in the customer services offered by Canadian Tire. For example, it recently began offering home installation services for Canadian Tire garage door openers, followed by central vacuum installations and heating and cooling systems.

Canadian Tire has also ventured more deeply into the world of sports. 5 In 2013, it announced a host of deals with amateur sports organizations to strengthen its ties to a major market: up-and-coming athletes. Among the sponsorships is an eight-year agreement with the Canadian Olympic Committee and new or expanded deals with other amateur organizations. These arrangements reflect Canadian Tire's shift to a greater presence in amateur sport following its 2011 acquisition of sports retailer Forzani Group Ltd. for \$771 million. This move entrenched Canadian Tire's status in the sporting goods market as well as provided it with access to a younger demographic of Canadian consumers (who like to shop at malls). Forzani continues to serve as an independent unit, operating Sport Chek, Sport Mart, and Athletes World stores.

Some observers believe that a continuing challenge for Canadian Tire is to make it clear in consumers' minds that it offers more than automotive parts, tools, or sporting goods.

On the other hand, marketing experts believe that Canadian Tire must also be cautious to not deviate far from its core business—that is, offering Canadians “everyday” household items rather than upscale home décor. As the old adage goes, you can't be all things to all people.

Sorensen sums it up nicely:

Canadian Tire will need to stay on its toes as its territory is further invaded by big U.S.

retailers. But despite its sometimes ungainly appearance, there's no reason to think the inverted orange triangle and green maple leaf will disappear from the Canadian landscape anytime soon. It may never be a chic proposition. But neither is weatherproofing windows or fixing a clogged toilet. 6

In fact, in 2013 Canadian Tire announced that it would launch smaller stores in city centres, admitting that it needed to adopt a new approach to dealing with existing competitors like Walmart as well as combating new entrants like Target. Canadian Tire attempted the small-store concept in previous years. However, when Walmart began opening Supercentres across Canada (each about seven times the size of the new Canadian Tire format), it reconsidered that approach. Given that Walmart has recently begun toying with the “small box” concept (opening smaller, express versions of its big box stores) and with the entrance of Target, Canadian Tire has been open to revisiting just about anything, including a focus on smaller stores in core city shopping areas and malls. The plan is for these new “express” stores to be about 10,000 square feet.

Big or small, Canadian Tire has a lot to be proud of. It has been an iconic figure in the Canadian marketplace for many years. It has understood well the environmental forces that it must confront and address to survive. And for those patriotic Canadian consumers, let's hope this good ol' Canadian retailer sticks around for many more years. Way to go Canadian Tire—may the force(s) be with you, eh!

Read THE BUSINESS WORLD - Can Canadian Tire Flourish in a Rapidly Changing Business Context? (page 2-4). How have the external forces affected Canadian Tire in recent years?

Answer:

External Force	Influence/Impact on Canadian Tire
Political	<ul style="list-style-type: none"> <li>• Nothing mentioned in the article, but you can make some assumptions or ask students to provide an example or do some research.</li> <li>• For example, in recent years, increases in the provincial minimum wage have increased labour costs for Canadian Tire and its retail store operations, putting the company at a disadvantage against online retailer competitors with less labour costs.</li> <li>• Another example are environmental fees and taxes have been added to certain products.</li> </ul>

Economic	<ul style="list-style-type: none"> <li>• Nothing mentioned in the article, but you can make some assumptions or ask students to provide an example or do some research.</li> </ul>
Technological	<ul style="list-style-type: none"> <li>• <u>Develop apps, content, and other digital innovations</u> - In 2013, Canadian Tire announced plans to significantly improve its digital technology practices, including a partnership with Communitex, a technology company based in Kitchener, Ontario. 4 The aim is to develop apps, content, and other digital innovations to improve the shopping experience of Canadian Tire customers, both online and in the store.</li> <li>• <u>Online shopping</u> - Canadian Tire also recently relaunched its online store after executives aborted a previous attempt in 2009. Among the items sold online are tires and wheels, which have to be picked up at Canadian Tire stores where many will also be installed. This effort was in response to a growing trend of Canadians buying their tires online through US-based websites and having them shipped directly to local mechanics.</li> </ul>
Societal	<ul style="list-style-type: none"> <li>• <u>Customers want low prices</u>, so Canadian Tire must keep costs low. For example, “Canadian Tire cut several senior management positions in 2012. It has taken a systematic approach to analyzing the industry and adopting strategies to keep ahead of the game. For example, among recent changes was Canadian Tire’s decision to spend less of its advertising budget on small, grassroots events and more on mainstream media.”</li> <li>• <u>Consumer tastes</u> - Customers like the “combination of familiarity and convenience.” Canadian Tire is putting greater emphasis on the “Canadian Tire image” rather than on specific products. Consumers also enjoy <i>online shopping</i> – “Canadian Tire also recently relaunched its online store after executives aborted a previous attempt in 2009. Among the items sold online are tires and wheels, which have to be picked up at Canadian Tire stores where many will also be installed. This effort was in response to a growing trend of Canadians buying their tires online through US-based websites and having them shipped directly to local mechanics.”</li> </ul>
Competitive	<ul style="list-style-type: none"> <li>• “US retailers have been invading our retail sector for many years now.” Home Depot, Walmart, and Target are just a few competitors.</li> <li>• <u>Strategy adaption and change</u> - The entrance of Target to the Canadian retail landscape has certainly made companies like Canadian Tire more vigilant and aware of the need to constantly</li> </ul>

	<p>evolve to best meet market demands. After feeling increased pressure from competitors, Canadian Tire has recently been revisiting its strategy. While not a direct competitor, Canadian Tire competes with Target on a number of product lines, including small appliances, and Canadian Tire's subsidiary Mark's Work Wearhouse competes for clothing sales.</p> <ul style="list-style-type: none"> <li>• <u>Focus on core business</u> - Among other changes has been a renewed focus on its automotive roots. In 2013, Canadian Tire opened a number of automotive concept stores that feature drive-in reception areas, express oil and lube services, and auto detailing. Canadian Tire also owns 87 specialty automotive PartSource stores. This is part of its strategic emphasis on auto parts, tools, home supplies, and sporting goods to combat increased competition.</li> <li>• <u>Focus on customer service</u> - Another area of change is in the customer services offered by Canadian Tire. For example, it recently began offering home installation services for Canadian Tire garage door openers, followed by central vacuum installations and heating and cooling systems.</li> <li>• <u>Diversification</u> - Canadian Tire has also ventured more deeply into the world of sports. 5 In 2013, it announced a host of deals with amateur sports organizations to strengthen its ties to a major market: up-and-coming athletes. Among the sponsorships is an eight-year agreement with the Canadian Olympic Committee and new or expanded deals with other amateur organizations. These arrangements reflect Canadian Tire's shift to a greater presence in amateur sport following its 2011 acquisition of sports retailer Forzani Group Ltd. for \$771 million. This move entrenched Canadian Tire's status in the sporting goods market as well as provided it with access to a younger demographic of Canadian consumers (who like to shop at malls). Forzani continues to serve as an independent unit, operating Sport Chek, Sport Mart, and Athletes World stores.</li> <li>• Some observers believe that a continuing challenge for Canadian Tire is to make it clear in consumers' minds that it offers more than automotive parts, tools, or sporting goods. On the other hand, marketing experts believe that Canadian Tire must also be cautious to not deviate far from its core business—that is, offering Canadians “everyday” household items rather than upscale home décor.</li> </ul>
Global	<ul style="list-style-type: none"> <li>• Global competition – US retailers have been invading our retail sector for many years now. Home Depot, Walmart, and Target are just a few competitors. “The entry of Wal-Mart particularly caused the company to rethink the layout of its stores, change pricing policies and in more recent years, appeal to female</li> </ul>

	shoppers more directly.”
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### 1) Case: Amazon and delivery drones

In 2013, Ceo Jeff Bezos announced Amazon was testing delivering packages using unmanned drones. While drones have not yet been approved for commercial use, U.S. government agencies like the Federal Aviation Administration (FAA) have started considering special rules and regulations governing their use. In Canada, the federal government agency, Transport Canada, would have to do the same. This futuristic endeavour by Amazon may not be approved for another five years, but it could potentially change how packages are delivered in the future, not just for Amazon, but for all businesses.

The goal for Amazon is to deliver goods to customers, the same day they are ordered, in 30 minutes or less. Certainly, drones have the potential to eliminate time delays due to traffic as well as shipping costs such as postal or courier charges. While some observers have doubted the feasibility of this idea, others say it is only a matter of time before this technology is used for all kinds of purposes. Like the internet, drones were also first used in the military; however, once applied to commercial use, they could have wide and significant implications on business and our future way of life.

A large number of delivery trucks and personnel could be reduced or eliminated altogether; however, an increase in jobs in designing, repairing and operating the drones could take effect. Technical jobs in robotics, computer engineering and math would be needed. According to Amazon, the company has already hired PhDs in math and science to create complex algorithms to deal with error correction, route optimization, sequencing, failure response and so on. Overall, Amazon hopes to increase efficiency, reduce costs and increases sales with this premium delivery service.

While it appears to be a new initiative, many companies including UPS and FedEx have already considered the idea, but are waiting for government approval before changing their business model and structure.

Indeed, if same day delivery becomes the norm (that is, goods delivered in 30 minutes or less), customers can easily come to demand this type of speedy service from other online retailers, or just shop at those who can provide it. Certainly, this may increase the ease of online shopping if you get goods faster than if you had to go to the mall, wait in line, buy them, and drive back home.

Will this revolutionize the delivery industry? Quite possibly. Bezo estimates that 80% of Amazon's packages are light enough for a drone to deliver. The remaining 20% will still require delivery trucks and people to carry heavier packages. Can this futuristic idea become a reality? A lot depends on the government, and of course, a lot depends on the



consumer. If consumers want their books, pizzas and other goods delivered by drones, businesses will certainly try to find a way to meet their needs.

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How can delivery drones for commercial use (i.e. a technological force) influence all the other **external** and **internal** forces, such as political, economic, societal, competitive, global, labour (workers), leadership (management philosophy), structure and strategy?

Answer:

External Forces	
Political	<p>a) Laws and regulations</p> <ul style="list-style-type: none"><li>• The introduction of new technology would require government to rethink laws and regulations over the affected industries and areas. For example, Amazon wants government approval from the Federal Aviation Administration (FAA) to use robotic drones to deliver packages to customers. In Canada, Transport Canada would need to approve delivery drones for commercial use. The government therefore has to think of how these robotic drones will be regulated. How will they remain safe when flying in the air, so they do not crash and injure civilians or cause property damage. Similarly, will they interfere with airplanes, birds, and other wildlife? How will they be monitored so the privacy of others are not infringed upon? Laws that may need to be reviewed and amended include:<ul style="list-style-type: none"><li>○ aviation law</li><li>○ privacy law</li><li>○ safety law</li><li>○ criminal law (for potential damage of drones by</li></ul></li></ul>

	<p>individuals)</p> <ul style="list-style-type: none"> <li>○ property law (for potential damage to property by drones)</li> </ul> <p>b) Unemployment insurance/social assistance</p> <ul style="list-style-type: none"> <li>• If this technology is replacing workers (eg. delivery men), there could be higher unemployment insurance or social assistance pay outs (from more unemployed individuals); as a result, there could be higher costs for government. This may create or increase an annual budget deficit or increase its ongoing debt if government cannot afford to make these payments.</li> <li>• Creating new jobs to oversee drones (eg. computer and robotic engineers) may result in less unemployed individuals, increase consumer spending and result in less unemployment insurance or social assistance pay outs.</li> </ul> <p>c) Taxes</p> <ul style="list-style-type: none"> <li>• If this new technology creates efficiencies for companies and reduces costs, companies may have higher net profits; therefore, higher corporate tax revenues will be collected by the government. Higher corporate tax revenues can help reduce budget deficits and potentially pay down the debt. Alternatively, governments may have additional funds to spend on community programs and services.</li> <li>• If new technologies replaces too many workers and too many workers are unemployed, governments may receive less personal income tax revenue. This could result in a budget deficit or increase the overall government debt. Similarly, governments may have less funds to spend on community programs and services.</li> </ul> <p>d) Post office</p> <ul style="list-style-type: none"> <li>• The Post office (a department of the government) may suffer a reduction in revenues from parcel delivery since Amazon may be using less of this slower service in the future.</li> </ul>
<b>Economic</b>	<p>a) Job creation</p> <ul style="list-style-type: none"> <li>• New technology can be beneficial for the economy by encouraging spending, creating jobs, and increasing profits; however, if the technology replaces too many workers it can also reduce jobs and reduce spending.</li> </ul> <p>b) GDP</p> <ul style="list-style-type: none"> <li>• New technology may help business be more competitive, by</li> </ul>

	<p>reducing business costs and therefore, increasing profits. More profits can contribute to an increase of the country's gross domestic product (GDP).</p> <p>c) Contribution to service economy and knowledge economy</p> <ul style="list-style-type: none"> <li>• Drones are an example of how the economy is changing to a more service and knowledge economy. For instance, manual labour (e.g. delivery) is being replaced by high tech jobs.</li> </ul>
<b>Societal</b>	<p>a) Change in consumer tastes and expectations</p> <ul style="list-style-type: none"> <li>• New technology can change societal expectations and influence consumer tastes. One example is with smartphones. Consumers now expect their cellphones to be smartphones, with access to email, the internet, GPS capabilities and so on. Another example is with fast-food burgers. If you go to order a burger and fries from a fast-food restaurant, you expect to receive your meal in minutes. If you had to wait 30 minutes, you may not return to the same establishment.</li> <li>• Similarly, delivery drones are expected to speed up the time of delivery to same-day delivery, or in 30 minutes or less. Therefore, instead of waiting for your goods for 3 to 4 weeks, in the future, you may expect your goods to be delivered the same day or otherwise you will shop where you can get your goods sooner. Certainly, consumers may want to shop online more often if it is easier, more cost efficient and more convenient to get their goods. For example, a consumer can save time driving to a physical store; save gasoline costs; save time waiting in line, etc.</li> </ul> <p>b) New concerns over ethics and privacy</p> <ul style="list-style-type: none"> <li>• Consumer concerns over privacy and the ethical use of drones may increase (since drones have been used by the military in some countries). This may cause some interest groups to lobby government to make laws and regulations over drones more stringent.</li> </ul>
<b>Competitive</b>	<p>a) New industry created</p> <ul style="list-style-type: none"> <li>• New technology can change how businesses compete. While the delivery industry is a broad industry that encompasses delivery by air, water and land, if approved by the government, drone delivery may be the birth of a new specialized delivery service. (i.e. the introduction phase of the industry growth model).</li> </ul> <p>b) Potential increase in online shopping</p> <ul style="list-style-type: none"> <li>• Faster delivery by drones versus over forms of delivery may increase the ease of online shopping and getting goods.</li> <li>• It is possible online shopping sales may increase and retail</li> </ul>

	<p>store sales may go down if consumers can get goods inexpensively and conveniently delivered to their door.</p> <ul style="list-style-type: none"> <li>Alternatively, if consumers do not want this form of delivery due to privacy concerns, online shopping sales could go down (if it is the only delivery option).</li> </ul> <p>b) Potential increase in other innovative and value-added activities</p> <ul style="list-style-type: none"> <li>New technology can also help reduce business costs and therefore, allow more profits to be spent on more value-added, innovative activities.</li> </ul>
<b>Global</b>	<p>a) Political</p> <ul style="list-style-type: none"> <li>Delivery drones may not be allowed to cross country borders due to restrictions of other country's and their laws. This may affect global competition.</li> </ul> <p>b) Economic</p> <ul style="list-style-type: none"> <li>How drones may affect the global economy is too early at this stage. Government regulation over this industry will be an important factor in determining how drones may be used for commercial use and how they may contribute to the economy.</li> </ul> <p>c) Societal</p> <ul style="list-style-type: none"> <li>Individuals in different countries may have different views about the use of drones (especially since drones have been used in the military) and may have concerns over their safety and privacy.</li> </ul> <p>d) Competitive</p> <ul style="list-style-type: none"> <li>New technology can be licensed to other companies in other countries.</li> <li>If profitable, companies in other countries may also try to use drones for commercial purposes.</li> </ul>
<b>Internal Forces</b>	
<b>Labour</b>	<ul style="list-style-type: none"> <li>New technology can replace labour (e.g. delivery workers), but create technical jobs such as robotic drone operators or computer engineers.</li> <li>For example, Amazon has already hired PhDs in math and science to understand this approach to package delivery, such as sequencing, route optimization, error correction, etc.</li> </ul>
<b>Leadership</b> (Management philosophy)	<ul style="list-style-type: none"> <li>Managers will need to manage this new technology and ensure it meets business' needs: to reduce cost, increase profitability and, of course, to satisfy customer needs and expectations.</li> <li>This may require a more behavioural school type of management approach for managers and workers to think creatively. On the other hand, managing the drones may</li> </ul>

	require jobs to be more specialized and standardized.
<b>Structure</b>	<ul style="list-style-type: none"> <li>• The introduction of drones may or may not affect the structure of a business.</li> <li>• If there is a significant reduction in personnel, the organizational structure may become more flat.</li> </ul>
<b>Strategy</b>	<ul style="list-style-type: none"> <li>• Technology can cause a company to take a different strategy or complement an already existing one.</li> </ul> <p>a) Product differentiation</p> <ul style="list-style-type: none"> <li>• Drones can allow a company to take on a differentiation strategy. Here, the technology which will allow delivery in 30 minutes is a service enhancement and differentiator from other competitors.</li> </ul> <p>b) Cost leadership</p> <ul style="list-style-type: none"> <li>• On the other hand, the company may also try to have a cost leadership strategy by keeping costs low. How can costs be kept low? The elimination (or significant reduction) of costs for delivery trucks, gas, and other maintenance, plus related labour costs, plus postage or courier shipping charges, must occur and be replaced with the lower cost of drones and drone maintenance.</li> </ul>

1) Describe the four internal forces and why can they present challenges for organizations?

Answer:

a. Labour (The Employee-Employer Relationship)

The ability to attract qualified workers and to extract maximum effort from them can be crucial to business success. However, navigating the labour relationship can be difficult and is fraught with risks. The context in which the labour relationship operates is a highly complex one. Workers are usually interested in maximizing the income they receive from the sale of their labour, whereas businesses usually desire to maximize profit. These two objectives can clash, creating conflicts that can have negative effects on productivity and profits, as well as the economy and society more generally.

b. Leadership (Effectively managing people)

There is no one perfect way to manage people. It can depend on a variety of factors.

c. Structure

Organizational structure is a deliberately planned network or pattern of relationships that exists among individuals in various roles or positions. This includes the formal hierarchy of authority, the distribution or grouping of work (for example, into departments) and the rules or procedures that control and coordinate behaviour in the organization. The way work is distributed can affect the success of the firm.

d. Strategy

Strategy involves using organizational resources and capabilities in the firm to compete. The ability to generate a game plan to succeed is critical. Strategies may need to be adapted as the organization adapts to changes in its external environment.

Objective: LO1 - Identify the key internal forces that shape any business.

2) Compare and contrast the difference between the specific and general environments of organizations.

Answer:

The specific sphere has been referred to as the environmental domain of the organization. For example, changes in the international environment may be a common factor for all

organizations with, say, trade agreements affecting Canadian industry in general. However, some industries may be differentially affected by changes in the international environment via trade agreements. Not all organizations within an industry or within different industries are equally affected by changes in the environment. There are changes that affect all or some industries, and there are changes or factors that influence the direct sphere or environment of specific organizations.

### Specific or Task Environment

Any organization is surrounded by external stakeholders . These are parties or groups that have direct influence on the organization's ability to obtain resources and generate outputs. Stakeholders have some kind of stake or interest in the organization and could include such parties as the organization's customers or suppliers, the labour pool from within which the organization obtains employees, competitors, unions, distributors, creditors, the local public, and the government. While not all of these stakeholders may exist or exert influence on every organization, they are the types of factors that potentially constitute the specific environment of an organization.

### General Environment

The sphere surrounding the organization's specific environment is typically referred to as the general environment . The forces that make up the general environment ultimately shape the specific environment of the organization. Consequently, the general environment will also influence the organization's ability to obtain resources. General environmental factors typically include economic, competitive, technological, global, political, and societal forces.

Objective: LO2 - Identify the forces that compose the specific and general environments of organizations.

### 3) Who is society and how can the societal force influence business?

Answer:

Society can includes customers, the general public, employees, the media, educators and other special interest groups. Societal forces can have an important impact on organizations. Societal forces can:

**Increase compliance costs for business** - For example, we have witnessed an increasing concern for *individual welfare in the workplace* as societies become more cognizant of human rights and how people should be treated. Consequently, the workplace increasingly emphasizes *organizational justice*-that is, how employees are treated. This has translated into more laws governing fairness in the workplace. One such area that has been dramatically affected is compensation. *Pay equity* has been a key issue examined in redressing inconsistencies in pay treatment between men and women. We have also witnessed an increasing emphasis on merit-based pay and pay for performance, which

attempt to more closely link actual effort to performance instead of seniority-based pay, which bases pay solely on the number of years an employee has been with the organization.

**Force business to adapt to remain competitive** - Businesses must respond to society. *Consumer tastes change*, for example, and businesses must adapt to such changes. Similarly, the types of organizations that serve societal demands can change. The *aging population* in Canada suggests that greater emphasis needs to be placed on industries such as the health care sector.

**Force business to adopt society's ethics and values** - Society's values and public opinion can influence the type of behaviour that organizations will manifest in that society. From a societal standpoint, it is not difficult to understand the importance of adequately addressing ethical behaviour of business organizations and their constituents. All sectors of society, including organizations themselves, are drastically affected by many forms of unethical behaviour. There is a growing belief that organizations are social actors responsible for the ethical and unethical behaviour of their employees. Critics of business argue that organizational leaders must examine more closely the "moral sense-making" within organizations and responsibilities to external constituents. The tolerance of unethical behaviour in a society would seem to be a precursor to the acceptance of corporate unethical behaviour.

Objective: LO3 - Discuss the nature of the external forces confronting organizations.

4) "Canada's resource sector is a competitive advantage for Canada." Do you agree with this statement? Why or why not. Explain.

Answer:

Some business leaders contend that mining and natural resources is still Canada's competitive advantage. A *competitive advantage* is achieved when an organization excels in one or more attributes that allow it to outperform its competitors. An *attribute* might be having a highly skilled staff, a patented technology, a unique marketing strategy, a well-known brand, or something else that makes the company a leader in its field.

Other business leaders argue that Canada needs to diversify into other areas, so that when our non-renewable resources run out we will still have a thriving economy. In fact, it has been argued that Canadian corporations are much more involved in the extraction and processing of natural resources than most other countries at comparable stages of economic development.

Today, the resource sector is still an important part of Canada's economy, but faces a number of challenges:



■ *Depleting resources*: Over the last century, many renewable and nonrenewable resources have been significantly depleted. Mining companies have had to rely on lower-grade ores; in the forestry industry, depletion of high-quality fibre has led companies to exploit second- and third-growth timber in less accessible areas; and in the fishing sector, the Newfoundland cod fishery had been essentially exhausted by the late 1980s. 13

■ *New technology and equipment*: Costs have increased significantly for improved technology and extraction equipment. New equipment has been required to improve production efficiency, to extract resources requiring advanced extraction systems, to gain greater value from production inputs, and to sustain Canada's competitive position in the global commodities marketplace. 14

■ *Foreign competition*: Foreign competition presents another challenge to Canada's natural resource industries. The US softwood lumber producers, for example, have been a major competitor to Canada, resulting in several legal battles over unfair competition practices. Inexpensive labour costs have also been a competitive advantage for foreign producers. In 2009, AbitibiBowater Inc. (now known as Resolute Forest Products, closed its Grand Falls' pulp and paper mill because of reduced demand for paper and increasing labour costs.

■ *Pressure from environmental groups*: Similarly, environmental concerns have resulted in new regulations for Canadian companies, to which foreign producers are not subject. The high rate of extraction of natural resources has led environmental groups to lobby governments to protect wilderness areas, reduce yields extracted, and require higher standards for extraction processes. Substitute products that are more sustainable, like bamboo, have also been encouraged. As the fastest growing wood in the world, bamboo has advantages over traditional woods such as cherry, maple, and walnut. Bamboo is highly renewable and, therefore, environmentally friendly. 15

Objective: LO4 - Explain the importance of each of the external forces within the Canadian business context.

1) After many protests by the environmentalists, a law was passed to protect various lands near oil drilling. This is an example of the political and societal forces.

- a. True
- b. False

Answer: a

Diff: 1

Type: TF

Page Reference: 11-12

Skill: applied/recall

Objective: Chapter 1-LO3

2) Blackberry, a Canadian company that had over \$1 billion loss in 2013, while its competitors had healthy revenues, was mostly impacted by the economic force.

- a. True
- b. False

Answer: b

Diff: 2

Type: TF

Page Reference: 10

Skill: applied

Objective: Chapter 1-LO3

3) An increase in laws protecting employees against workplace bullying is likely an example of the political force.

- a. True
- b. False

Answer: a

Diff: 1

Type: TF

Page Reference: 11

Skill: applied

Objective: Chapter 1-LO3

4) Target, a U.S. retail department store, that entered Canada to compete against Walmart in Canada is an example of only the competitive force.

- a. True

b. False

Answer: b

Diff: 1

Type: TF

Page Reference: 10-11

Skill: applied

Objective: Chapter 1-LO4

5) The North American Free Trade Agreement (NAFTA) between Canada, Mexico and the United States is an example of only the global force.

a. True

b. False

Answer: b

Diff: 2

Type: TF

Page Reference: 25

Skill: applied

Objective: Chapter 1-LO4

6) Walmart (in Canada) increasing its advertising in response to Target entering Canada is likely a response to the societal force.

a. True

b. False

Answer: b

Diff: 2

Type: TF

Page Reference: 18,25

Skill: applied

Objective: Chapter 1-LO4

7) Facebook's new security settings, in order to comply with privacy laws in different countries, are mainly a response to the technological force.

a. True

b. False

Answer: b

Diff: 2

Type: TF

Page Reference: 25, 27

Skill: applied

Objective: Chapter 1-LO4

8) Blackberry's change from a keyboard smart phone to a touch screen smart phone is mainly a response to the technological force only.

a. True

b. False

Answer: b

Diff: 2

Type: TF

Page Reference: 18

Skill: applied

Objective: Chapter 1-LO4

9) An important factor in achieving change within organizations includes learning how to recognize the need for change.

a. True

b. False

Answer: a

Diff: 2

Type: TF

Page Reference: 13

Skill: recall

Objective: Chapter 1- LO2

10) The business-labour relationship is often at odds since health, safety and employment laws are becoming more complex.

a. True

b. False

Answer: b

Diff: 2

Type: TF

Page Reference: 6

Skill: recall

Objective: Chapter 1- LO1