

**Test Bank for Management Preliminary Edition 1st Edition Gulati Mayo and  
Nohria 113362670X 9781133626701**

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# Chapter 2--The Business Environment

Student: \_\_\_\_\_

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39. Critique the positions of the four components of the internal environment of a firm and their level of importance: Owners, Boards of Directors, Employees, and Culture.

40. How does corporate social responsibility and globalization create an impact on a firm's performance?

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Opportunities for success can be found by developing tools to evaluate and navigate the business environment. Successful companies balance competing inward and outward forces. Challenges for managers include public mistrust, tight economic conditions, global competition, and a lack of dependence on the U.S. General Electric sold many of its poorly performing companies to invest in new innovations.

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McDonald's General environment includes five sectors: Economic, Political/Legal, Socio-cultural, Global, and Technological. McDonald's suffered economically because of the recessionary environment and anemic consumer spending. McDonald's is facing heavy scrutiny in the political/legal areas because of its use of heavy fat foods. It is trying to deliver a healthier menu because of consumer and legal pressures. The socio-cultural factor is forcing McDonald's to consider society's changing attitude towards healthy food and living. Super sizing is not being practiced anymore. McDonald's has a global presence, but it is accused of hurting cultural identities in many countries. McDonald's has embraced technology by automating many of its cooking processes. High end coffee makers are being used to attract upscale coffee drinkers.

The task environment is comprised of Competitors, Suppliers, and Customers. Competitors are firms that create goods targeted at a similar group of customers. American car makers have seen dramatic shifts in competition from foreign car makers. China and India are beginning to enter all global markets in direct competition with American car makers. Suppliers help a firm with providing resources or services in the creation of products or services. McDonald's relies on many suppliers for the food products and McDonald's requires strict quality controls on the products.

39. Critique the positions of the four components of the internal environment of a firm and their level of importance: Owners, Boards of Directors, Employees, and Culture.

Owners are involved in both private and public companies. Public company shareholders may have more power than the owners because of the number of shares sold to the public. Boards of Directors are elected by the shareholders. Today, more boards are under scrutiny because of past scandals. Employees might be the most important part of a company. These people make the products that allow the firm to exist. A company's culture develops over a long period of time. It is very important for attracting, developing, and retaining a competent workforce.

40. How does corporate social responsibility and globalization create an impact on a firm's performance?

Managers today must feel a responsibility to the actions of the company and how the company processes affect the environment. Customers are beginning to buy from companies that promote good CSR. The company should have a good moral authority that balances interests of the shareholder with the community where it operates. Globalization has opened new markets for companies and this helps keep people working. Managers must now compete with global markets, not just American markets.