

Lesson 1: Exploring the World of Business and Economics

****Note:** Prior to Lesson 1 in MindTap, students should download the *Time Management* activity spreadsheet in Excel. They will use this to plan out work and class commitments as well as time to study and be social for the week. The first tab provides activity instructions, the second tab allows them to schedule in all commitments for the week, the third tab allows them to track their actual time spent, and the fourth tab shows the results comparing what students had planned against what they did.

Students should save the file as *Time Management Lastname.xlsx* and submit in the DropBox via the link within the activity for grading.

Lesson Summary and Learning Objectives

LO 1-1 Summarize four benefits of studying business.

There it is: the Canadian business system in brief. When it works well, it provides jobs for those who are willing to work, a standard of living that few countries can match, and many opportunities for personal advancement.

The benefits of studying business include helping you choose a career, improving your career, making you a better-informed consumer and investor, and making you a more influential community member. These benefits can lead to more fulfilling jobs, higher incomes, and stronger communities. Businesses bring many benefits to society, but managers must take care to balance their pursuit of profits with social concerns.

LO 1-2 Explain how business benefits society.

Businesses make a variety of positive contributions to society, including offering valuable products, providing employment, and improving quality of life. However, managers must take care to balance their pursuit of profits with social concerns, including health and safety risks, environmental damage, and social disruption.

LO 1-3 Identify potential societal concerns about business.

Managers must take care to balance their pursuit of profits with social concerns, including health and safety risks, environmental damage, and social disruption.

LO 1-4 Discuss how different factors might affect businesses and consumers.

Businesses do not exist in a vacuum. The business environment is made up of five factors—economic, competitive, global, technological, and social—that affect the fortunes of a business, and they affect consumers as well. When businesses monitor and understand these five factors, they can respond with management, marketing, and financial strategies that provide the best chance of success.

LO 1-5 Classify various economies as one of the four types of economic systems.

Economic factors have a strong influence on the business environment. One such factor is the economic system of a country. There are different economic systems in the world today, and those systems largely determine how wealth is made and distributed. By examining economic systems you can better understand how each will affect your opportunities to make income and create wealth. These systems also affect your choices as a consumer and the prices you pay.

LO 1-6 Identify the key strategic considerations related to competition for companies in various industries.

Within Canada's economic system there are levels of industry competition that also affect businesses and consumers.

LO 1-7 Identify the effects of various price changes on supply and demand.

As a consumer, the degree of competition in an industry affects the number of choices you have and the prices you pay for products from that industry. As a business owner or employee, knowing the degree of competition in your industry can help you choose the most effective business strategies.

LO 1-8 Explain how different economic indicators are positive or negative indications of economic conditions.

Today, it is hard to turn on the radio, watch the news, or use the Internet without hearing or seeing something about the economy. These reports often include numbers that are supposed to help us interpret the health of the economy. While these numbers are easy to ignore, understanding indicators of economic health can help individuals, businesses, and governments better allocate their resources and plan for the future.

Activator Exercise: The Size and Scope of Business

Purpose: To orient students to the size and scope of business in our society.

Format: Classroom discussion with student groups researching questions on their mobile devices and presenting answers to the class.

Time: 15–30 minutes, depending on format.

Activity: Divide students into groups and divide the following research questions among them:

- How big is the economy of Canada in terms of GDP (which is the value of all goods and services produced within our borders)?
- How many businesses are there in Canada?
- What are the five largest Canadian businesses?
- How many “small” businesses are there in Canada?
- How many people live in Canada and how many people are employed in Canada?
- How many Tim Horton's are there in Canada? How many people do they employ?
- How many Loblaw Companies Limited stores are there in Canada? How many people do they employ?

- How many Apple stores are there in Canada? How many people does Apple employ?
- Which countries have the first, second, and third largest economies in the world in terms of GDP?
- How big is the global economy in terms of GDP (which is the value of all goods and services produced)?

Result: Students will work together to find these answers, which is a good way to promote social interaction on the first day of class. Draw a big outline of Canada on the board. As students report their answers, write the answers within the border of Canada—creating an infographic with data about the Canadian economy and business climate. When students report about the first, second, and third largest economies and global GDP, write those answers outside the border of Canada.

Possible discussion questions: How would life change in Canada if the size of our economy switched places with China and Japan? How would your life change if Tim Horton's, Loblaw Companies Limited, and Apple all went out of business? Would you rather work in a large business or a small business? Why?

Note for students that this is a tiny glimpse of the world of business and we will be touring this world of business over the course of this term.

Key takeaway: The world of business is all around you and has a big impact on your life. This class will teach you more about the world of business.

Brief Outline with Suggested PowerPoint Slides

Slides are available at www.nelson.com/instructor.

Learning Outcomes and Topics	PowerPoint Slides
1-1 Summarize the four benefits of studying business. 1-1 Why Study Business?	1-5, 1-6, 1-7, 1-8, 1-9
1-2 Explain how business benefits society. 1-3 Understanding Business Basics 1-3a The Benefits of Business to Society	1-10, 1-11, 1-12
1-3 Identify potential societal concerns about business. 1-4 Concerns about the Impact of Business on Society	1-13, 1-14, 1-15
1-4 Discuss how different factors might affect businesses and consumers. 1-6 Responding to the Business Environment	1-16, 1-17, 1-18, 1-19
1-5 Classify various economies as one of the four types of economic systems. 1-8 Economic Systems	1-20, 1-21, 1-22, 1-23, 1-24, 1-25, 1-26, 1-27
1-6 Identify the key strategic considerations related to competition for companies in various industries. 1-10 Degrees of Competition and Supply and Demand	1-28, 1-29, 1-30, 1-31, 1-32, 1-33, 1-34, 1-35, 1-36, 1-37, 1-38, 1-39, 1-40, 1-41, 1-42

Learning Outcomes and Topics	PowerPoint Slides
1-10a Why Do Degrees of Competition Matter? 1-10b Perfect Competition and the Concept of Supply and Demand 1-10c Monopolistic Competition 1-10d Oligopoly 1-10e Monopoly	
1-7 Identify the effects of various price changes on supply and demand. 1-12 Measuring Economic Performance 1-12a The Business Cycle 1-12b Gross Domestic Product (GDP) 1-12c Unemployment and Inflation	1-43, 1-44, 1-45, 1-46, 1-47, 1-48, 1-49, 1-50
1-8 Explain how different economic indicators are positive or negative indications of economic conditions. 1-14 Exploring Careers in Business 1-14a Career Overviews	1-51, 1-52 REMEMBER: MINDTAP IS MOBILE! STUDENTS CAN ACCESS EVERYTHING ON THE MINDTAP RIGHT FROM THEIR SMARTPHONES OR TABLETS.



Lecture Activities

1-1 Why Study Business?

1a. The purpose of this activity is to facilitate student introductions and social interaction on the first day of class.

Ask students to write down their career goal. If they do not know yet, they can write, “Do not know.”

Then ask students to walk around class and find fellow students who are pursuing the same career. Students will form clusters as they find fellow students who wrote the same thing.

Hint: Students should form a cluster based on a general industry. For example, a future nurse and future doctor would form a cluster for those going into health care. Any other students pursuing a health care career would join this cluster.

You will end up with several industry clusters, some students standing alone because they are the only one pursuing a particular career, and a cluster of “do not know” students. From where the students are standing, have them introduce themselves and their career choice.

1b. This is a follow-up activity that facilitates additional student interaction. Explain that a key skill that employers look for in all industries is teamwork. Ask students to find one fellow student they have not yet met. Each partner has two to three minutes to answer the following questions for their partner:

1. What is your name and where do you work (if working)?
2. What interesting or unusual things have you done in your life? (Do not talk about work or college, but rather hobbies, travel, etc.)
3. Why are you taking this course and what do you expect to learn?

Then ask students to introduce their partners to the class, including the above information they learned. Allow one to two minutes per group, depending on size of class.

1-3 Understanding Business Basics

2. In groups, have students discuss a product that did not exist 20 or 30 years ago. Then have them give a mini-presentation that contrasts what life was like before that product existed and what it is like now. Have students discuss how the new product satisfies a particular customer need, or benefits society through improved quality of life and creation of employment opportunities. Students can pick their own products or you can assign products.

Example: Smartphones with maps and GPS, Facebook, iTunes, organic food, mobile apps, online banking.

1-6 Responding to the Business Environment

3. In groups, have students brainstorm how social changes will affect how businesses develop and market their products in the next 25 years. Assign one group to concentrate on age, one group on gender, and one group on family composition. Have groups present their ideas to the class.

1-8 Economic Systems

4. Divide the class into two groups to debate the following question: Is Canada's mixed economy, with elements of both socialism and capitalism, the ideal economic system for producing goods and services?

Examples for: A mixed economy has survived the test of time, producing a high standard of living for Canadians. For the most part, consumers decide what products to buy when they "vote" in the marketplace with their dollars. These individuals are the best judges of what to make, how much to make, and how it should be distributed. A mixed economy also offers the freedom to select careers, products, services, etc. Some of these freedoms are not available in other economies. However, government regulation and intervention in certain industries can allow for a more centralized planning system of utilization of scarce and necessary resources, which is beneficial when faced with competing priorities.

Examples against: A mixed economy still produces high volumes of consistent waste, and much of this waste is attributable to industries and businesses that are privately owned. Government ownership of key industries and some key natural resources often disrupts competitive market forces and inhibits the ability of private individuals to create wealth, a fundamental component of Adam Smith's capitalism.

1-10 Degrees of Competition and Supply and Demand

5. The restaurant industry is an example of monopolistic competition, where there are many buyers and many sellers. Differentiation of product offerings is key. Ask students to brainstorm how various restaurants differentiate themselves from their competition.

Examples: In the fast food segment, Freshii focuses on healthy food options and sustainable packaging, while Mr. Sub focuses on quality and convenience.

6. Divide class into four groups, each representing an industry facing one of the four different degrees of competition: perfect competition, monopolistic competition, oligopoly, and monopoly. Have students brainstorm key strategic considerations related to competition for companies in their industry. Next, ask them to discuss the impact of changes in price on supply and demand in their industry.

1-12 Measuring Economic Performance

7. Divide students into three groups: one that represents individual customers, one that represents businesses, and one that represents government. Ask them to brainstorm how a growing economy might affect them and what types of decisions they might make as a result. Ask them to brainstorm the same thing for a shrinking economy.

Examples: For *individuals*, the health of the country's economy can affect the financing you need to continue your education, your ability to get a job, and the amount of interest you pay for credit card purchases, automobiles, homes, and other credit transactions.

For *businesses*, the health of the country's economy can affect plans for hiring employees, plans for investing in new plants and equipment, and plans for launching new products or moving into new markets.

For *government*, the health of a country's economy can affect the level of taxes collected and whether budgets operate at a surplus or deficit, whether to change the levels of taxation and government spending to influence the economy (this is called fiscal policy), and whether to make changes to the money supply or interest rates to influence the economy (this is called monetary policy).

1-14 Exploring Careers in Business

8. Explore the employment-related search engine Indeed (<https://www.indeed.ca/>) by having students suggest careers they are interested in. Then look at some particular job titles in detail.

Discussion Questions

Use the Cengage Mobile app to have students answer the polling questions in real time.

Polling Questions:

Which of the following indicates why a decrease in price causes an increase in demand?

- A. Consumers' level of income rises with an increase in demand
- B. Consumers' tastes changes as prices decrease
- C. Consumers' incomes increase as prices decrease
- D. Consumers are willing to buy more as prices decrease**

What is the difference between perfect competition and monopolistic competition?

- A. Businesses in monopolistic competition have some degree of market power**
- B. In perfect competition, products are somewhat differentiated between businesses
- C. There are a larger number of businesses under monopolistic competition
- D. Perfect competition has no barriers of entry, whereas monopolistic competition does

Oligopolies maintain their dominance due to high barriers of entry that prevents competitors from competing whereas monopolies gain their dominance by being the only viable provider in the marketplace with no close substitute.

- A. True**
- B. False

Culminating Homework/Classroom Activities

Social Media Exercise

Today, many companies have a social media presence on Facebook, Twitter, Instagram, and other sites beyond their corporate website. Think of three of your favourite companies and conduct a quick search using a search engine, such as Yahoo! or Google.

Answer the following:

1. Name the social networks each company uses.
2. Compare each of their Facebook pages. How many "likes" does each company have? Are there multiple pages for the company? How much interaction (or engagement) is on each Facebook page?
3. What business goals do you think each company is trying to reach through their Facebook presence?

Journaling for Success

The journal exercises can be used as informal writing assignments that are checked off or they may be graded. Some instructions you may wish to give for Lesson 1 might include the following:

1. Answer all questions.
2. Check grammar and spelling.
3. Bullet points are acceptable.

4. Be honest in your answers—the purpose of these questions is to help prepare you to be a successful employee.
5. Be as specific as possible.
6. Use the language and concepts from the course whenever possible.
7. Provide examples as appropriate.

Assume that you are interviewing for a position as a management trainee in a large corporation. Also assume that this position pays \$45,000 a year.

1. Describe what steps you would take to prepare for this interview.

A thoughtful answer should include a brief discussion of research the student will do as well as a self-assessment relative to what the student might have to offer. A sample answer follows.

The first thing I would do is research the company online. I would want to know:

- *its mission statement.*
- *the products and services it provides.*
- *total revenue and sales.*
- *what its growth areas are.*

The second thing I would do is look for recent articles on the company to see what problems it may be having or what opportunities exist.

After looking at its situation, I would make a list of the skills and attributes I possess that it could use. For example, if the company is looking to expand into South and Latin America, my minor in Spanish will be an asset.

2. Assuming that you get the management trainee position, describe the personal traits or skills that you have that will help you to become successful.

Students have a variety of skills they can discuss in this answer. A thoughtful answer might consider traits or skills that have helped them in school and part-time work, clubs, activities, and athletics.

In their descriptions, students should indicate how each particular trait or skill will help them. For example, being disciplined means they will be able to set their own deadlines and make sure that work gets done without prodding, while being a fast reader means that they can keep up with new information. A typical student answer might look like the following:

I am a hard-working person who is not satisfied unless a job is done well. Whether it is a paper I write for school or waiting on a customer at work, I make sure that I cover all the bases. I ask questions to make certain that everything is being done correctly. I am also good at organizing a lot of material. This enables me to work on more than one thing without losing my place or missing deadlines.

3. Describe the one personal skill or trait that you feel needs improvement. How would you go about improving your weakness?

Some traits students may wish to work with include shyness in groups, giving in to others too easily, or a tendency to get flustered when confronted with stress or difficult deadlines. Some things they could do would be to find books or articles that address those issues or talk to professors who could point them in the right direction. Skills are easier to address than traits, as there are courses, programs, and so forth, that help people with their skills. A typical student answer might look something like this:

I am not as organized as I would like to be. Occasionally, I lose track of papers and deadlines, which creates issues with professors and bosses. I work hard, and my work is good, but I get stressed when I am disorganized. Specific actions I can take include making lists on my mobile device rather than on pieces of paper I can lose. I will also keep a calendar and pen with me at all times to write down right away any dates I need to remember.

Researching and Following a Company Throughout the Course

This exercise is a continuing exercise and will have optional homework exercises in the Instructor's Manual for many of the lessons.

Have students identify a public company in which they are particularly interested. Have them explain why they are interested in it and have them make a list of potential sources they will use to research the company for the duration of the course. They should write a brief overview about the company indicating what industry it is in, who its major competitors are, and where the company headquarters are located. With each continuing assignment, students should document their sources of information, as they would with any research project.

Article Report

Have students bring in an article that discusses the current business environment. It could be from newspaper, magazine, or printout of online article from reliable source. The article can discuss the economic environment as a whole, or the environment within a particular industry.

Innovator Exercise

With unlimited financial resources, have students brainstorm a concept for a new product or service to be introduced to the Canadian market, or a potential innovation to an existing product or service. Have them describe the invention or innovation and answer the following:

1. How will the invention or innovation create consumer value?
2. Will the invention or innovation benefit society?
3. What economic, competitive, global, technology, and social factors in the Canadian business environment must be considered?

Answers to the eBook Interactive Figures

1-1 Interactive Figure - The Benefits of Studying Business

Statement: After learning about marketing, I decided it would be a fun career; some of my classmates realized they love numbers and they want to go into accounting or finance.

Answer: Choose a career

Statement: After some of the chapters, I was able to take what I learned and apply it the next day at work. My manager was impressed by my new knowledge.

Answer: Improve your career

Statement: I look at my purchase decisions completely differently now. I see the big picture in terms of what goes into making and selling a product, which allows me to better think through whether I'm getting a good value.

Answer: Better informed consumer and investor

Statement: Before this class, I didn't think much about how business impacts our communities—in good and sometimes bad ways. But now I see how much influence consumers have on the choices businesses make.

Answer: More influential community member

1-6 Interactive Figure - Which of These Factors Affect the Business Environment?

1. Economic
2. Competitive
3. Global
4. Technology
5. Social

Case Review: Oligopoly, Batman!

Upon reading the case at the end of the lesson, the student was tasked with the following:

Your challenge is to help Sugar Mobile get established in the Canadian wireless market. But instead of focusing on price, you remember learning that they way to win customers is through product differentiation. Lay out some ideas that will lead to a plan to crack the Canadian wireless market. Use your knowledge of business and competition to help Sugar mobile get some good reception with Canadian consumers.

An acceptable student response will include the following:

- a. Problem – the problem in this case is focused on the challenges of an oligopoly. Students are provided with a challenge to help a small cellular provider differentiate itself in the Canadian wireless market.
- b. Alternatives – this will depend on how the concept of differentiation has been explained or used in class. However, there are certain aspects of differentiation that have been used by previous wireless providers, such as price, size of network, customer service, product availability (by brand, Apple vs. Android), along with a host of others.
- c. Decision Criteria – solutions for differentiation should be based on the relevance to the Canadian market. If students are allowed to conduct online research, they will find that Sugar Mobile (<https://www.sugarmobile.ca>) relies heavily on price, offering plans starting under \$20/month. Teachers should visit the website for Sugar Mobile to get an updated on its situation.

d. Recommendation – it is likely that price will be a heavily chosen alternative, given the case's discussion on the high prices of Canadian wireless plans. However, if students look at the notes on oligopolies, it is clear that some other kind of differentiation is often needed to break apart an oligopolistic situation.

e. Implementation – this will depend on the choices made above. Pricing is an aspect of a business that can likely be the quickest to change. Other forms of differentiation, relating to brand or product, can take much longer.

f. Risks – if students read the news about Sugar Mobile, they will find out that the company has struggled because it has to rely on the networks of other providers. This can be a huge issue. As well, low prices can also make it harder to make a profit, if that is a chosen alternative.

End-of-Lesson Review Questions and Answers

1. What is a business? What are the benefits of business to society?

Businesses are organizations that seek profit by offering products to satisfy society's needs. Those products can be goods or services. Benefits include offering valuable products and services, providing employment opportunities, and improving quality of life.

2. List some of the social concerns of a business.

Health and safety risks, environmental damages, social disruption

3. What are the four types of economies? Provide a brief summary of each.

The four types of economies are capitalist, mixed, socialist, and communist. Capitalism is an economic system in which individuals own and operate the majority of businesses that provide goods and services. A mixed economy is an economic system where most land and business are privately owned but with various levels of government involvement. A socialist economy is an economic system in which the key industries are owned and controlled by the government. Communism is an economic system where all property and profits are owned by the government, which then decides what goods and services will be produced.

4. Discuss the various types of competition.

Perfect, monopolistic, oligopoly, and monopoly are all types of competition.

5. What is product differentiation? When would a business use this strategy?

Product differentiation is the process of developing and promoting differences between one's products and all competitive products. It is used in monopolistic competition, in which there are many buyers along with a relatively large number of sellers.

6. How is the equilibrium price determined?

Equilibrium price is determined when demand meets supply (at the intersection of the demand and supply curves).

7. Explain the four phases of the business cycle.

The business cycle consists of four phases: the peak, contraction or recession (shrinking), the trough (bottoming out), and expansion (growing).

8. Define GDP. What other indicators are used to determine the health of the economy?

Gross domestic product or GDP is the total dollar value of all goods and services produced by all people within the boundaries of a country during a one-year period. Unemployment rate and inflation are other indicators.

9. What is the consumer price index? How is this index related to inflation?

The consumer price index is a monthly index that measures the changes in the prices of a fixed basket of goods purchased by a typical consumer in an urban area. It is used to determine the effects of inflation on economy and individual consumers.

10. What is the difference between monetary policy and fiscal policy?

The differences between monetary and fiscal policy are as follows:

- Monetary: whether to make changes to the money supply or interest rates to influence the economy.
- Fiscal: whether to change the levels of taxation and government spending to influence the economy.