

NOTE: UNDER NO CIRCUMSTANCES MAY THIS MATERIAL OR ANY PORTION THEREOF BE SOLD, LICENSED, AUCTIONED, OR OTHERWISE REDISTRIBUTED EXCEPT AS MAY BE PERMITTED BY THE LICENSE TERMS HEREIN.

Instructor's Manual

KELLY / MCGOWEN

BUSN

WHAT'S INSIDE:

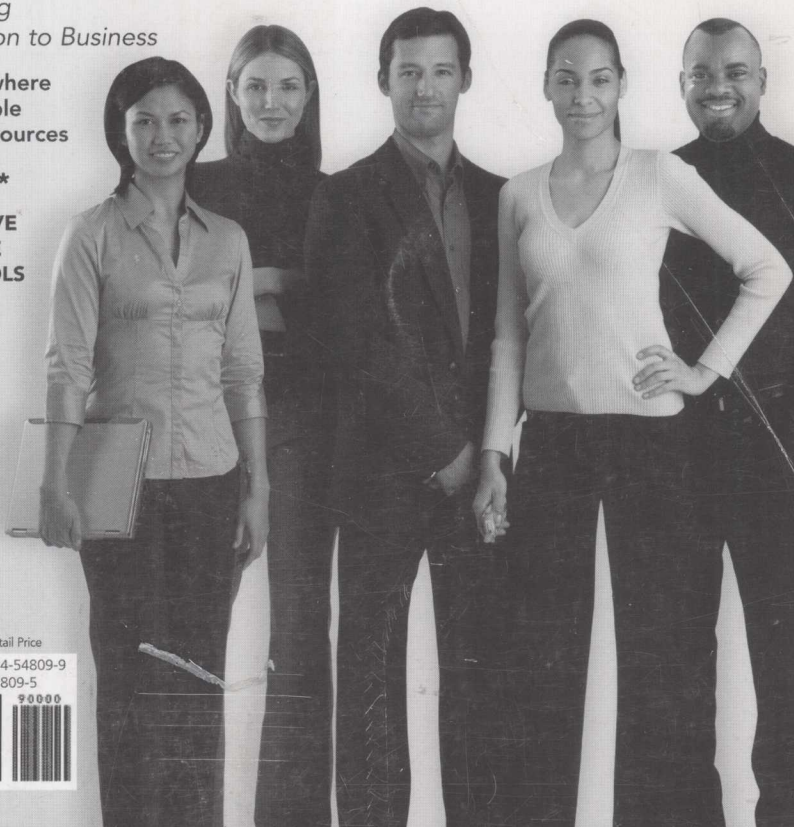
STUDENT EDITION

*An Innovative Approach
to Learning
Introduction to Business*

Learn Anywhere
with Portable
Review Resources

*** PLUS ***

**INTERACTIVE
ONLINE
STUDY TOOLS**



\$54.95 Suggested Retail Price

ISBN-13: 978-0-324-54809-9

ISBN-10: 0-324-54809-5



2007-2008 Edition

MARCE KELLY | JIM MCGOWEN

Instructor's Manual

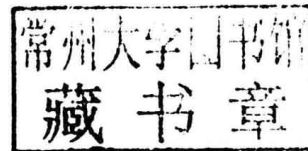
BUSN

Marce Kelly

Santa Monica College

Jim McGowen

Southwestern Illinois College



SOUTH-WESTERN
CENGAGE Learning™

Instructor's Manual to accompany BUSN
Marce Kelly, Jim McGowen

Executive Vice President and Publisher,
Business: Jonathan Hulbert

Vice President of Editorial, Business: Jack
W. Calhoun

Editor-in-Chief: Melissa S. Acuña

Director, 4LTR Press: Neil Marquardt

Acquisitions Editor: Erin Joyner

Managing Developmental Editor: Emma F.
Newsom

Associate Developmental Editor: Julie
Klooster

Research Associate: Clara Kuhlman

Executive Marketing Manager: Kimberly
Kanakes

Sr. Marketing Coordinator: Sarah Rose

Marketing Communications Manager:
Sarah Greber

Sr. Content Project Manager: Martha
Conway

Technology Project Manager: Kristen
Meere

Sr. Manufacturing Coordinator: Diane
Gibbons

Production House: Pre-PressPMG

Art Director: Stacy Jenkins Shirley

Cover Designer: KeDesign, Mason, OH

Cover Image: Corbis and Getty Images

Photography Manager: Deanna Ettinger

Photo Researcher: Charlotte Goldman

Text Permissions Researcher: James
Reidel

© 2009 South-Western, a part of Cengage Learning

ALL RIGHTS RESERVED. No part of this work covered by the copyright hereon may be reproduced or used in any form or by any means graphic, electronic, or mechanical, including but not limited to photocopying, recording, scanning, digitizing, taping, Web distribution, information networks, or information storage and retrieval systems, except as permitted under Section 107 or 108 of the 1976 United States Copyright Act, without the prior written permission of the publisher.

For product information and technology assistance, contact us at
Cengage Learning Academic Resource Center,
1-800-423-0563

For permission to use material from this text or product,
submit all requests online at **www.cengage.com/permissions**
Further permissions questions can be emailed to
permissionrequest@cengage.com

The names of all products mentioned herein are used for identification purposes only and may be trademarks or registered trademarks of their respective owners. South-Western disclaims any affiliation, association, connection with, sponsorship, or endorsement by such owners.

ISBN 10: 0-324-56992-0
ISBN 13: 978-0-324-56992-6

South-Western Cengage Learning
5191 Natorp Boulevard
Mason, OH 45040
USA

Cengage Learning products are represented in Canada by
Nelson Education, Ltd.

For your course and learning solutions, visit **academic.cengage.com**
Purchase any of our products at your local college store or at our
preferred online store **www.ichapters.com**

Table of Contents

Section 1. Lecture Outlines

Chapter 1	LO 1
Chapter 2	LO 17
Chapter 3	LO 33
Chapter 4	LO 49
Chapter 5	LO 69
Chapter 6	LO 87
Chapter 7	LO 103
Chapter 8	LO 121
Chapter 9	LO 137
Chapter 10	LO 153
Chapter 11	LO 173
Chapter 12	LO 193
Chapter 13	LO 213
Chapter 14	LO 231
Chapter 15	LO 249
Chapter 16	LO 269
Chapter 17	LO 289
Chapter 18	LO 307
Appendix 1	LO 325
Appendix 2	LO 337

Section 2. Lecture Boosters

Chapter 1	LB 1
Chapter 2	LB 7
Chapter 3	LB 10
Chapter 4	LB 15
Chapter 5	LB 18
Chapter 6	LB 22
Chapter 7	LB 27
Chapter 8	LB 31
Chapter 9	LB 34
Chapter 10	LB 37
Chapter 11	LB 41
Chapter 12	LB 45
Chapter 13	LB 49
Chapter 14	LB 52
Chapter 15	LB 56
Chapter 16	LB 60
Chapter 17	LB 66
Chapter 18	LB 72

Section 3. End-of-Chapter Questions

Chapter 1	EOC-Q 1
Chapter 2	EOC-Q 10
Chapter 3	EOC-Q 20
Chapter 4	EOC-Q 29
Chapter 5	EOC-Q 38
Chapter 6	EOC-Q 46
Chapter 7	EOC-Q 54
Chapter 8	EOC-Q 64
Chapter 9	EOC-Q 72
Chapter 10	EOC-Q 81
Chapter 11	EOC-Q 90
Chapter 12	EOC-Q 99
Chapter 13	EOC-Q 108
Chapter 14	EOC-Q 117
Chapter 15	EOC-Q 126
Chapter 16	EOC-Q 136
Chapter 17	EOC-Q 146
Chapter 18	EOC-Q 155
Appendix A.....	EOC-Q 164
Appendix B.....	EOC-Q 171

Section 4. End-of-Chapter Solutions

Chapter 1	EOC-S 1
Chapter 2	EOC-S 10
Chapter 3	EOC-S 18
Chapter 4	EOC-S 28
Chapter 5	EOC-S 36
Chapter 6	EOC-S 45
Chapter 7	EOC-S 55
Chapter 8	EOC-S 63
Chapter 9	EOC-S 72
Chapter 10	EOC-S 83
Chapter 11	EOC-S 94
Chapter 12	EOC-S 103
Chapter 13	EOC-S 111
Chapter 14	EOC-S 120
Chapter 15	EOC-S 128
Chapter 16	EOC-S 136
Chapter 17	EOC-S 144
Chapter 18	EOC-S 154
Appendix A.....	EOC-S 164
Appendix B.....	EOC-S 171

Section 5. Video Cases

Chapter 1	VC 1
Chapter 2	VC 4
Chapter 3	VC 7
Chapter 4	VC 10
Chapter 5	VC 13
Chapter 6	VC 16
Chapter 7	VC 19
Chapter 8	VC 23
Chapter 9	VC 27
Chapter 10	VC 31
Chapter 11	VC 35
Chapter 12	VC 39
Chapter 13	VC 42
Chapter 14	VC 45
Chapter 15	VC 48
Chapter 16	VC 51
Chapter 17	VC 54
Chapter 18	VC 58
Appendix A.....	VC 61

Section 6. Video Case Solutions

Chapter 1	VC-S 1
Chapter 2	VC-S 4
Chapter 3	VC-S 6
Chapter 4	VC-S 9
Chapter 5	VC-S 12
Chapter 6	VC-S 15
Chapter 7	VC-S 17
Chapter 8	VC-S 20
Chapter 9	VC-S 23
Chapter 10	VC-S 26
Chapter 11	VC-S 29
Chapter 12	VC-S 33
Chapter 13	VC-S 35
Chapter 14	VC-S 37
Chapter 15	VC-S 39
Chapter 16	VC-S 42
Chapter 17	VC-S 44
Chapter 18	VC-S 47
Appendix A.....	VC-S 50

Section 7. Collaborative Learning Exercises

Chapter 1	CLE 1
Chapter 2	CLE 3
Chapter 3	CLE 6
Chapter 4	CLE 9
Chapter 5	CLE 13
Chapter 6	CLE 15
Chapter 7	CLE 18
Chapter 8	CLE 21
Chapter 9	CLE 24
Chapter 10	CLE 27
Chapter 11	CLE 31
Chapter 12	CLE 34
Chapter 13	CLE 36
Chapter 14	CLE 39
Chapter 15	CLE 42
Chapter 16	CLE 45
Chapter 17	CLE 49
Chapter 18	CLE 52

Chapter One: Change is the Only Constant

Lecture Outline

Suggested Lecture Opener: Ask your students to jot down five things that they love to do. Encourage them to think broadly, but depending on your class, you might also remind them to keep it clean! Point out that their lists could include anything from posting pictures on Facebook to listening to their favorite music. Then ask for volunteers to call out their responses, and list them on the board, keeping tallies of multiple listings. Finally, brainstorm as a class a short list of business careers that could encompass two or more of the passions on the board. For instance, someone who loves Facebook and great music might be a great fit for a position in nightclub marketing. Discuss what skills they would need to succeed in each position, and encourage them to consider which skills they already have and which they would need to develop. This exercise helps prime students for the class and gives them insight about how the class could be relevant to their particular interests.

Slide 1

BUSN

Chapter 1: BUSINESS NOW

Change is the Only Constant

© 2009 South-Western, a division of Cengage Learning

1

Slide 2

LOOKING AHEAD

- What is the role of business in the economy?
- How has business evolved?
- What is the role of non-profits in the economy?
- What are the core factors of production?
- What are the elements of the environment affecting business?
- How are business trends impacting careers?

© 2009 South-Western, a division of Cengage Learning

2

Encourage students to look for the answers to these questions as you move through the lecture.

Slide 3

CHANGE IS THE ONLY CONSTANT

Think about how much Campbell's Soup has changed in the last decade.

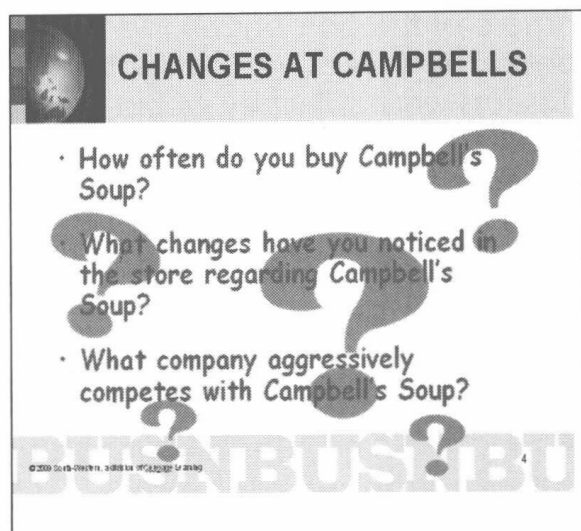
© 2009 South-Western, a division of Cengage Learning

3

Emphasize that change has been the only constant in business over the last decade. Ask your students to brainstorm a quick list of some of the biggest changes. Help them see that growing competition plus dramatic technological advances have put more power than ever in the hands of consumers.

Web Connection: After you show the video and discuss changes at Campbell's Soup, you may want to click on the icon at the bottom right side of the slide, which will take you to the Campbell's website. In the interactive Campbell's Kitchen section of the site, you can show your students how Campbell's uses technology to innovate in today's fast-paced economy.

Slide 4

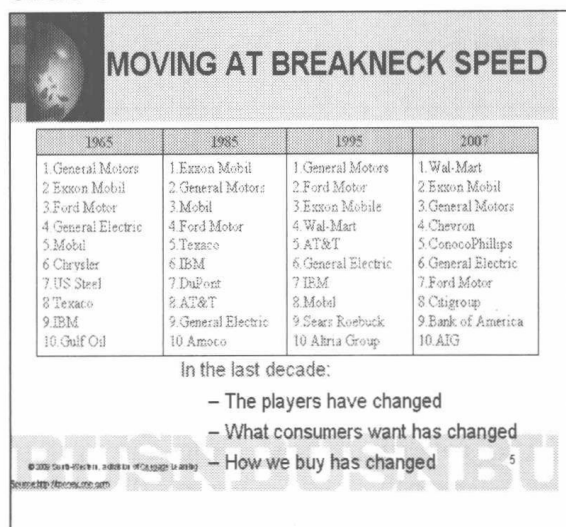


CHANGES AT CAMPBELLS

- How often do you buy Campbell's Soup?
- What changes have you noticed in the store regarding Campbell's Soup?
- What company aggressively competes with Campbell's Soup?

Use this slide to help students see how much they already know about Campbell's. (Once they carefully consider their own experience in the marketplace, most students find that they know more than they think they do about Fortune 500 firms.)

Slide 5



MOVING AT BREAKNECK SPEED

1965	1985	1995	2007
1. General Motors	1. Exxon Mobil	1. General Motors	1. Wal-Mart
2. Exxon Mobil	2. General Motors	2. Ford Motor	2. Exxon Mobil
3. Ford Motor	3. Mobil	3. Exxon Mobile	3. General Motors
4. General Electric	4. Ford Motor	4. Wal-Mart	4. Chevron
5. Mobil	5. Texaco	5. AT&T	5. ConocoPhillips
6. Chrysler	6. IBM	6. General Electric	6. General Electric
7. US Steel	7. DuPont	7. IBM	7. Ford Motor
8. Texaco	8. AT&T	8. Mobil	8. Citigroup
9. IBM	9. General Electric	9. Sears Roebuck	9. Bank of America
10. Gulf Oil	10. Amoco	10. Altria Group	10. AIG

In the last decade:

- The players have changed
- What consumers want has changed
- How we buy has changed

This slide also emphasizes the growing speed of change in the business arena. Point out that the composition of the top ten list changed much more between 1995 and 2007 than during the prior decades.

Lecture Booster: Help students see how these changes relate directly to them, by prompting them to discuss how they spend their money. Would people their age have purchased the same products 5, 10, 25

years ago? How have the goods and services they buy changed over time? How much do they spend on cell phone service? Internet service? Remind them that these are all "new" inventions that have actually changed how we buy (and sell) virtually everything.

Slide 6

BUSINESS BASICS

A **business** is any activity that provides goods and services in an effort to earn profit.

Non-profit organizations focus on causes not profit

Lecture Booster: After reviewing the definitions, discuss the concentration of US businesses in the service sector. Share the following statistics about changes in the US economy over the past 200 years:

% of U.S. workforce employed in

	<u>Farming</u>	<u>Manufacturing</u>	<u>Services</u>
1800's	90%	4%	4%
1920's	37%	28%	26%
2000's	2%	16%	82%

You may also want to brainstorm a list of non-profit organizations. Possibilities include various churches and temples, most zoos, AYSO soccer, Boy Scouts and Girl Scouts, Planned Parenthood, Sierra Club, and the United Way, among many, many others. Covering the impact of nonprofits on the broader economy, you may want to emphasize that nationwide, nonprofits employ about one in 14 workers, accounting for nearly 50% more paid workers than the entire construction industry

Slide 7

BUSINESS BASICS

Profit is the financial reward that comes from starting and running a business.

the money that a business earns in sales (or revenue), minus expenses

Web Connection: Click the icon in the bottom left corner to go to the CNN Money/Fortune 500 website to review the list of the world's most profitable companies. Point out the key differences between the rankings of companies for revenue and the rankings for profit. You may want to emphasize that oil and financial services seem to be particularly profitable industries right now. You may also want to highlight the quote from the text from Pat Tracy, Founder and CEO of Dot Foods: "Volume is vanity and profit is sanity, and we're far more interested in being sane than we are in being vain."

Slide 8

NONPROFIT PARTNERSHIPS

The Business of Doing Good

Many nonprofits work with businesses to improve the quality of life in society.

Companies support their missions and improve society.

BUSNBU

While both businesses and nonprofits play a vital role in the economy, the partnerships between the two can be especially powerful at improving the quality of life in our society. Share these examples from the book and ask students to identify the fit between the partners:

- Ralph Lauren and American flag restoration (supports all-American image and flag logo)
- Kraft and America's Second Harvest food bank network (supports Kraft mission to help people worldwide "eat and live better")
- LA Times and Reading by 9 literacy program (helps to create a new generation of future readers who may just buy papers)

Web Connection: Click the icon at the bottom left corner to explore how Target supports nonprofits. Ask student why they focus so heavily on local communities.

Slide 9

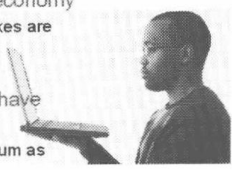
ENTREPRENEURIAL SPIRIT

Name	Net Worth	Source of Wealth
Bill Gates	\$48,000,000,000	Microsoft
Warren Buffett	\$41,000,000,000	Berkshire Hathaway
Paul Allen	\$20,000,000,000	Microsoft, Investments
Alice Walton	\$18,000,000,000	Wal-Mart
Helene Walton	\$18,000,000,000	Wal-Mart
Jim Walton	\$18,000,000,000	Wal-Mart
John Walton	\$18,000,000,000	Wal-Mart
Roberta Walton	\$18,000,000,000	Wal-Mart
Michael Dell	\$14,200,000,000	Dell
Larry Ellison	\$12,700,000,000	Oracle

BUSNBU

Point out that the entrepreneurial spirit—driven by the profit incentive—has played a pivotal role in building the American economy. You may want to highlight the prevalence of technology, and the fact that the total Wal-Mart fortune, split among five of Sam Walton's descendants, adds up to a total of \$90 million, nearly twice the worth of Bill Gates.

Slide 10



CREATIVITY MATTERS

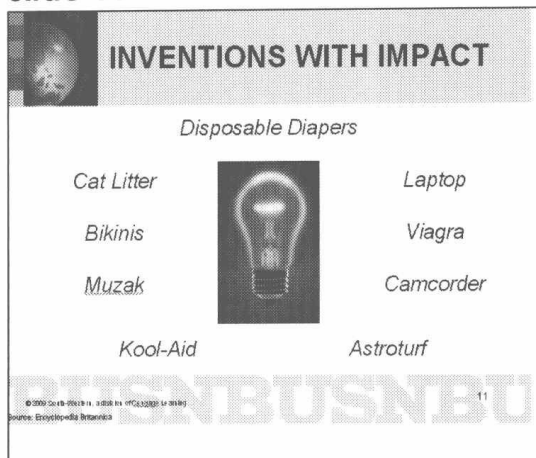
- Creativity is important to the economy
 - with global competition, the stakes are high
- Many of the latest inventions have come from companies
 - this trend is likely build momentum as global competition intensifies

© 2009 South-Western, a part of Cengage Learning 10

Lecture Booster: Ask students to identify recent inventions—spearheaded by businesses—that have changed their lives for the better. Point out that the best ideas often stem from the largest *pool* of ideas. In fact, some say that companies reject about 50 worthless ideas for every successful new product. But occasionally, the bad ideas somehow make it to the marketplace. Students may be amused by this real list of product losers:

- The helicopter ejection seat: Press the button and try to avoid the whirling steel blades! Someone just wasn't thinking...
- The high security briefcase: If the wrong person grabs this briefcase, it emits a piercing scream and delivers a high voltage electric shock. Too bad it doesn't come with lawsuit protection...
- Rock-Paper-Scissors Website: People with far too much time on their hands can challenge their friends to play via email by clicking on icons. The Website will email you both the results.
- Hop Rods: Combustible gas-powered pogo sticks were all the rage in the early 1960s. These motors-on-a-stick bounced kids to new heights when their parents weren't watching! Then came the lawyers...
- An inflatable dartboard. Enough said...

Slide 11



Lecture Booster: Encyclopedia Britannica recently explored creativity over time, compiling a list of the 100 greatest ever inventions, based on how profoundly they have impacted human life...for better or for worse.

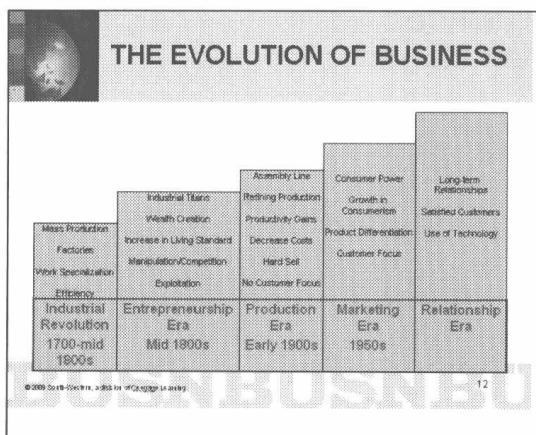
Many of the citations are not surprising: eyeglasses, gunpowder, and vaccinations, among many others. But some items—including what you see on the slide—may be rather startling, although they have clearly permeated contemporary culture.

Some inventions on the list are older than students might think. Flush toilets, for instance, have been around since the 1500s, although toilet tissue wasn't invented until 1857. And vending machines were invented in Egypt sometime between 100 and 200 BC.

Over the last century, corporations rather than individuals have been responsible for a growing number of key innovations. Examples include the Camcorder (Sony), the laptop computer (Radio Shack), and Viagra (Pfizer). This trend is only likely to build momentum as global competition intensifies.

Among nations, the US—despite our relatively short history—dominates the list of greatest inventions, with just under 50% of the citations. One reason may be that our nation celebrates individuality, creativity, and of course, the profit incentive.

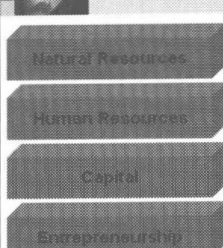
Slide 12



Clearly, business has changed dramatically over time. As you go through this slide, you may want to point out that the focus on the customer has been fairly recent, which many students find surprising.

Slide 13

FACTORS OF PRODUCTION




- Businesses rely on some combination of these factors
- Entrepreneurship is a key factor
 - Most growing economies support and promote entrepreneurship

13

As you review the factors of production, you may want to emphasize that businesses must have some combination of these factors in order to thrive. By comparing the economies of Russia and Hong Kong—or even just focusing on China—you could highlight the importance of entrepreneurship relative to the other factors.

Slide 14

BUSINESS ENVIRONMENT



Managers must define the environment and how to respond to it.

14

Slide 15

RESPONDING TO THE BUSINESS ENVIRONMENT

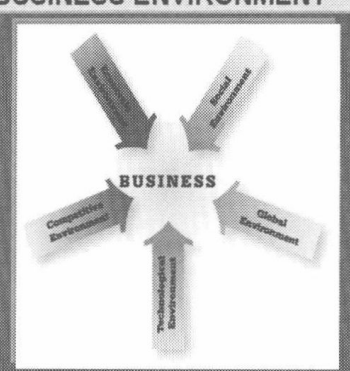
- What are emerging trends in the world that managers must react to?
- What are examples of companies that are effectively responding to the business environment? What companies are not?

15

These questions should help students see how the external environment applies both to them and to specific businesses.

Slide 16

THE ELEMENTS OF THE BUSINESS ENVIRONMENT



16

To introduce students to the five elements of the business environment, you may want to ask them how a company they know, for instance Burton snowboards, might be affected by each element of the external environment in the next decade.

Another option: Point out that McDonald's has begun to install machines nationwide to dispense vanilla lattes, iced mochas, caramel cappuccinos and other specialty coffee drinks. Ask students to use the elements of the business environment to explain why.

Slide 17

DYNAMIC, CONSTANT AND ENGAGING, CHANGE

- Companies must respond quickly and creatively
 - New Products
 - Integrating Technology
 - Creating Technologies
 - New Businesses
 - Innovative Processes
 - New Target Markets.....

When the change on the outside exceeds the change on the inside, the end is near."
- Jack Welch

© 2009 South-Western, a division of Cengage Learning 17

Point out that most companies can't control the business environment, but they can succeed by responding to it quickly and creatively. Use the Jack Welch quote as a springboard to discuss the importance of a proactive approach.

Slide 18

ECONOMIC ENVIRONMENT

Free Enterprise and Fair Competition Flourish in the United States

- Low Federal Tax Structure
- Small Business Administration
- Federal Trade Commission
- Legislation & Enforceable Contracts

Economic Vulnerabilities

- CEO/Worker Pay Gap
- Consumer Debt
- Federal Debt

© 2009 South-Western, a division of Cengage Learning 18

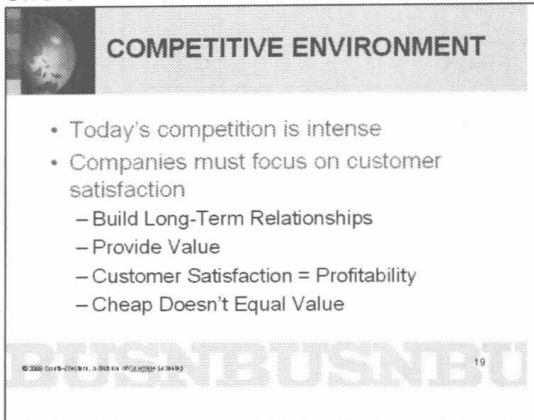
The US has strong systems in place to support free enterprise and ensure fair, active competition. These systems have played a vital role in making the US an economic powerhouse.

Lecture Booster: Despite its strength, our economy clearly isn't invulnerable. As you discuss threats, you may want to point out that the pay gap between CEOs and the average worker has narrowed a bit, but

remains extreme: as of mid-2007, the average CEO earned 364 times more than the average worker. Yet more extreme: Private equity and hedge fund managers earned about 16,000 times more than the average worker in 2006!

Compounding the threats in 2007, home prices began to drop, and foreclosure rates soared. For instance, in Q3 2007, one of 31 homes in Stockton, CA was in foreclosure, one of 48 homes in Las Vegas, NV, and one of 60 homes in Miami, FL. And according to a New York Times report, about a quarter of American families worry all or most of the time that they won't be able to pay their bills.

Slide 19



COMPETITIVE ENVIRONMENT

- Today's competition is intense
- Companies must focus on customer satisfaction
 - Build Long-Term Relationships
 - Provide Value
 - Customer Satisfaction = Profitability
 - Cheap Doesn't Equal Value

Booster: Nordstrom, a highly successful, upscale department store chain, lives by the policy that the customer is always right...even when he's wrong. This policy is immortalized in the "tire refund" legend, retold in Home Office Computing magazine:

About a dozen years ago, a guy walked into the former Fairbanks, Alaska, Nordstrom department store with two snow tires. He walked up to the counter, put the tires down,

and asked for his money back. The clerk, who'd been working there for two weeks, saw the price on the side of the tires, reached into the cash register, and handed the man \$145.

Never mind that the high quality clothier has never sold tires! While this story—told and retold with a number of different details—may not actually be true, it clearly plays a pivotal role in Nordstrom lore that supports its "customer first" culture.

Slide 20

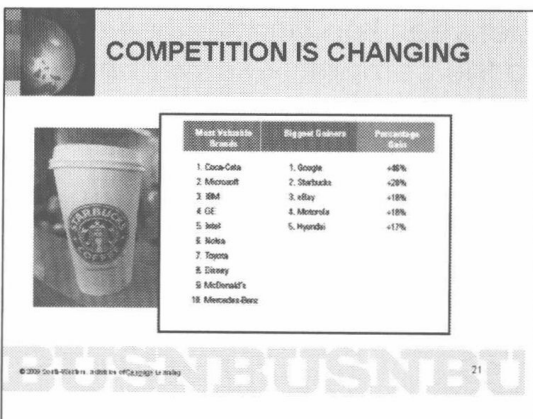


COMPETITIVE PRINCIPLES

1. Avoid your competitors' strengths and exploit their weaknesses. Don't try and beat them at their game.
2. Always be a little paranoid. Never underestimate your competition.
3. Competitors will usually get better when pushed.
4. Competitors are sometimes irrational when pushed.

These principles are from Jack Trout, marketing expert, as noted in the text. He also says that the markets he used to think were intensely competitive look like a tea party by today's standards.

Slide 21



COMPETITION IS CHANGING

Most Valuable Brands	Biggest Gainers	Percentage Gain
1. Coca-Cola	1. Google	+48%
2. Microsoft	2. Starbucks	+29%
3. IBM	3. eBay	+18%
4. GE	4. Motorola	+16%
5. Intel	5. Hyundai	+17%
6. Nokia		
7. Toyota		
8. Disney		
9. McDonald's		
10. Mercedes-Benz		

Lecture Booster: Share the 2007 brand value update according to the annual BusinessWeek/Interbrand survey. Students seem to particularly enjoy guessing the biggest losers, especially since the 2006 players aren't on the PPT chart.

Most Valuable Brands	Biggest Gainers		Biggest Losers	
Coca Cola	Google	+44%	Ford	-19%
Microsoft	Zara*	+22%	Gap	-15%
IBM	Apple	+21%	Kodak	-22%
GE	Nintendo	+18%	Pizza Hut	-9%
Nokia	Starbucks	+17%	Motorola	-9%
Toyota				
Intel				
McDonald's				
Disney				
Mercedes Benz				

*Spanish-based clothing retailer with a business model that includes zero advertising.

Ask students to note the changes between 2006 and 2007. The most valuable brands are still the same with minor changes in order, but the biggest gainers list has changed significantly, with Motorola plummeting from the biggest gainers to the biggest losers list.

Slide 22

Before you show this video, you may want to point out that a growing number of newsrooms are run much like businesses, and they, too, must respond to the competitive business environment.

Slide 23

You may want to point out the key connection between knowing the news and responding to the competitive environment.