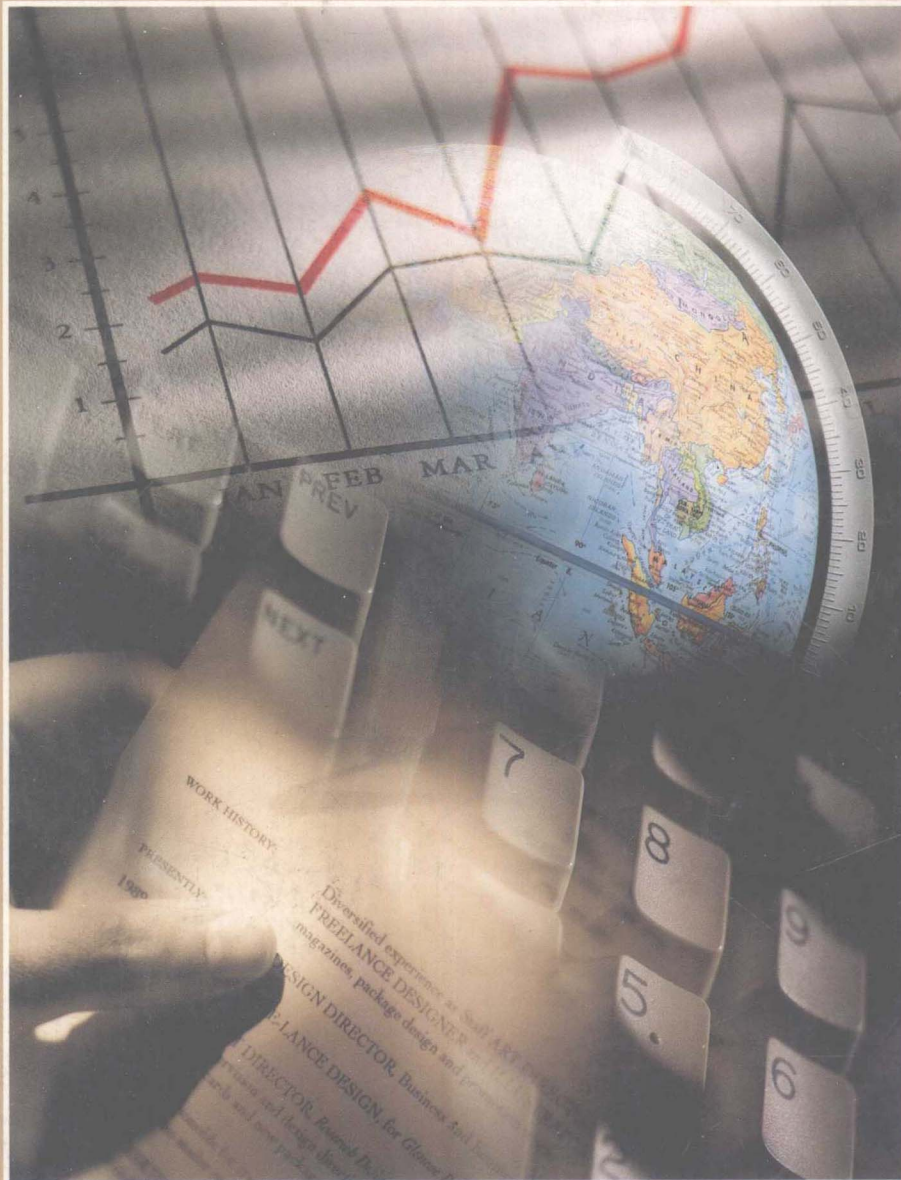


Business Essentials



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BUSINESS ESSENTIALS

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■ PREFACE

We have conceived *Business Essentials* as a new product with a unique purpose. Our motivation in creating *Business Essentials* reflects more than just changes that are occurring in the practice of business. It also reflects the changing needs of students and teachers of business.

■ LISTENING TO THE CUSTOMER

The leading introductory business books all boast high-quality coverage and a wide variety of materials from which to pick and choose for each user's situations. "Each user," however, turns out to be a member of an increasingly diverse audience of both students and instructors.

Student Customers

Consider some of the different motivations for taking this course: Some students, for example, are working adults attending classes during off hours, while others are full-time students taking introduction to business as just one of many courses. While some students are studying business as a requirement of degree programs, others are taking the course simply to satisfy their curiosity.

To a growing number of these students, cost is a consideration in the courses they select. Forced to weigh limited financial resources against the increasing costs of attending school, students are increasingly adopting a critical consumer's perspective on educational "products." Questions such as "Am I getting my money's worth from this course?" mean that costs are being weighed against value received. Too often, the same reservations are being expressed when students leave their courses saying, "Why did I have to buy this expensive book when we didn't use all of it? What a waste of money."

Instructor Customers

Instructors, too, face diverse needs in the differing settings in which learning takes place. Obviously, the business practitioner who takes time from other activities to teach an introductory course faces entirely different demands than the full-time instructor. Similarly, the custom of teaching a variety of courses and topics during a term places unique demands on every teacher. In addition, as instructors' interests and experiences lead to different orientations in their courses, they naturally pick and choose differently among the materials that they will emphasize. Finally, depending on an institution's timetable, an introductory course can range from 6 to 16 weeks in duration; naturally, that factor influences how much and which material can be covered.

In many instances, instructors must adopt long textbooks with comprehensive coverage that goes beyond their needs. In doing so, they pay a price on two counts. First, big books often require a big investment in preparation time: In designing courses, instructors must spend time deciding which material to emphasize, which to touch upon more lightly, and which to exclude entirely. Second, the instructor must answer to sometimes vocal students who want to know why so much material was omitted: "If it's important, why didn't we cover it? If it's not important, why did we have to pay for a book that has all that extra material in it? Isn't there a better book?"

■ MEETING THE CUSTOMER'S NEEDS

And so we come to the purpose of *Business Essentials*: It is an alternative for those who want a "no-nonsense" approach for the introduction to business course. It contains the "no-frills" essentials of business for those instructors who want focused coverage in a lower-priced book. And it does so with high-quality presentation. As such, it is an innovative product that responds to our customers' expressed desire for an option that is truly differentiated by both quality and price.

In creating *Business Essentials*, we naturally drew on our earlier experiences in developing *Business*. Through three successful editions, we have gained deep appreciation for the diversity of needs not only among the book's users but for the unmet needs of potential users. Much of the core material in *Business Essentials* is, of course, adapted from *Business*. It has, however, been thoroughly updated, and the organization and format of the book have been completely revised. Naturally, we have retained, adapted, or otherwise revamped the most valuable features of *Business*. We have, for example, retained the Business Focus feature that chronicles the activities and fortunes of Lawless Container Corporation, a medium-sized company in upstate New York. This feature has proved popular because it provides a running account of how a particular company handles *all* the facets of its operations. In all other major respects, however, *Business Essentials* is a new and different product intended for a specific audience.

The *Business Essential* project took advantage of many of the book's concepts for a team approach to product development, involving marketing, production, finance, product design, and business strategy to conceive and refine a product for a highly competitive market. In brief, the project enabled us to practice what we preach by addressing the significant but previously unmet needs of an important market segment. Prentice Hall, the authors, and the panel of advisors who teach business listened closely to our customers, both students and instructors, in creating an exciting new product.

Not surprisingly, the twofold mandate of *Business Essentials*—brevity and high quality—involved sometimes challenging, often difficult decisions about content and orientation. Very early in the project, we learned to appreciate the difficulties of being selective; deciding which subject matter to emphasize and which materials to exclude (you can't have a shorter book of high quality without cutting) was often painful. Ulti-

mately, our decisions were guided by suggestions from teachers and students, as well as by our own experiences with the practice of business.

■ THE OBJECTIVES OF *BUSINESS ESSENTIALS*

The development of *Business Essentials* was guided by the fundamental objectives that we established for the book at the outset of this project:

- We wanted it to be an *affordable, lower-price* alternative for students in the introductory course.
- We wanted it to be *reduced in length* while retaining high quality in its coverage of the essential facets of business.
- We wanted it to be *accurate*, with all statements of fact based on scientific research and/or managerial practice.
- We wanted it to be *current*, with illustrative examples and cases drawn from business stories that are still unfolding.
- We wanted it to be *readable* so that students could appreciate the experience of encountering and thinking about life in the world of business.

We believe we have met all these objectives. The price of *Business Essentials* is lower than that of other major, high-quality books designed for the introductory course. The length of the book is shorter than the other leading books, yet it offers significant coverage of business essentials, including both traditional topics and newer ideas. All of our examples are drawn from today's business world. Indeed, to make the book as current as possible, we added and updated information and examples right up to the moment we went to press in the spring of 1994.

■ THE THEMES OF *BUSINESS ESSENTIALS*

The 1990s have been a particularly exciting time to do business. But to be fully prepared for business in the third millennium, students need to be aware of the trends that will effect them as they start their careers. For this reason, we have concentrated on bringing several important themes to their attention.

- ***The Rise of International Business.*** Many businesspeople and observers of the business world see the globalization of the economy as the great challenge in the coming century. To keep students aware of this challenge, we have based many of the examples, vignettes, boxes, and cases in this book on the experiences of global companies. Chapter 4, "Understanding International Business," provides full coverage of this important subject.
- ***The Significance of Small Business.*** Because we recognize that most students will not go to work for huge corporations, we have provided balanced coverage of both small and large companies throughout the text. Chapter 7, "Running the Small Business," is comprehensive. In addition, examples throughout the book deal with small businesses, and many chapters contain sections on how specific practices and issues apply to the special concerns of small businesses.
- ***The Growth of the Service Sector.*** The 1990s have witnessed the continued growth of the service sector around the globe. We stress the importance of this sector by giving it equal billing with manufacturing in Chapter 10, "Producing Goods and Services." Throughout, the book also provides prominent coverage of service businesses in the examples, cases, visuals, and end-of-chapter exercises.

- ***The Role of Ethics.*** Business ethics and social responsibility, while not new topics, have been generating much discussion in recent years. We reflect the attention that these topics have generated by devoting a full chapter to them (Chapter 3, “Conducting Business Ethically and Responsibly”). And of course we treat issues of business ethics and social responsibility in our examples, cases, and the Business Focus segments on Lawless Container Corporation.
- ***The Quality Imperative.*** Quality and productivity continue to be of special interest as we approach the year 2000. Chapter 11, “Increasing Productivity and Quality,” was initiated in response to requests and suggestions of instructors. We also present productivity and quality considerations where they relate to other materials throughout the book.
- ***The Importance of Career Preparation.*** Most business students are naturally quite concerned about their careers. In response to these concerns, we have developed a special appendix, “Business Careers and the Job Search.” Sections on the job outlook, guidelines for preparing cover letters and résumés and attending job interviews, as well as methods for assessing job offers, provide practical guidance for seeking employment and understanding the process.

■ FEATURES

A textbook, of course, is more than just ideas carefully presented in words. It must be packaged effectively and engagingly if it is to accomplish all its objectives. We have thus designed a number of devices to make this book as user-friendly as possible.

- Each of the six parts of the book begins with our **Business Focus** on Lawless Container Corporation, which introduces and describes various facets of the company’s operations. Summary and analysis are then integrated into the Business Focus Wrap-Up that concludes each part. The Wrap-Up also features questions for in-class discussion.
- Every chapter begins with an **opening vignette** that introduces a current real-world business situation by engaging student interest in the content and issues that follow in the chapter. Next comes a list of learning objectives for the chapter.
- Within each chapter are **tables, photographs, and figures**, each carefully chosen to illustrate a point or convey a message. The selective inclusion of these visuals increases the reader’s involvement in the text.
- Each chapter includes **Business Trends and Challenges**—thematic boxes designed to provide additional perspectives on the material. Various topics include reports on high-interest current topics, analyses of newly emerging problems, and examination of some controversial issues in today’s business environment.
- To help students keep up with fundamental concepts, definitions of **key terms** are printed in boldface in both the text and the margins of the pages on which they are introduced. A comprehensive **glossary** at the end of the book provides readily accessible definitions as well as page references.
- Several useful features are found toward the end of each chapter. A concise **summary of learning objectives** is followed by pedagogical features that both review what’s been learned and ask students to apply what they’ve learned. **Study questions and exercises** are divided into three categories: **questions for review** (which test recall of material), **questions for analysis** (which test understanding), and **application exercises** (which ask students to apply concepts to basic problems).

- A new feature, **Building Your Business Skills**, gives students an opportunity to apply both their knowledge and their critical thinking skills to extended problems drawn from a wide range of realistic business experiences. Each exercise consists of a series of clearly delineated activities, beginning with the spelling out of goals. A concrete situation is then described and a step-by-step method for proceeding is outlined. Finally, a series of follow-up questions help students assess what they have learned about the topic at hand. These exercises are specifically designed to foster in-depth involvement and problem solving in a format suitable for both out-of-class preparation and in-class discussion.
- Another hands-on feature in each chapter is a **business case**, including questions, that students can analyze both as a matter of individual study and as an in-class group activity. All of these features allow students to put to work the knowledge that they have gained in each chapter as well as the critical thinking skills that they are building as they assimilate the material as it is organized for them by the text.

■ SUPPLEMENTS

Every text has two sets of users: (1) instructors who teach the course and (2) students who learn from the instructor, the text, and other sources. Because we recognize both the excitement and the challenge of teaching, we have endeavored to provide you with a text that will make your work more enjoyable. Toward this end, we have assembled what we believe is the best total instructional system available for an essentials of business text. Each component of the teaching and learning package has been carefully crafted to ensure that this first course in business is a rewarding experience for both instructors and students. To learn more about the supplements listed below, instructors can request a Supplement Sampler from their Prentice Hall representatives.

- Instructor's Resource Manual with ABC Video Guide
- Student Study Guide
- Computerized Test Item File, 5.25" and 3.5" (IBM)
- Color Transparencies
- Prentice Hall/ABC News Video Library for Business
- Lawless Container Corporation Video
- Prentice Hall/*New York Times* Contemporary View Program
- Business Media Library Laser Video Disc II
- Stock Market and Investment Practice Set
- Prentice Hall Career Guide

■ ACKNOWLEDGMENTS

Although only two names appear on the cover of this book, we could never have completed it without the assistance of many fine individuals. First, we would like to thank the professionals who took time from their busy schedules to review materials for us. They provided invaluable suggestions and critical guidance during the earliest stages of the project: Mary Jo Boehms, Jackson State Community College; Paula E. Brown, Central Michigan University; Janice M. Feldbauer, Austin Community College; Thomas Frizzell, Massasoit Community College; John Gubbay, Moraine Valley Community College; and Thomas J. Morris, Buffalo State University.

John S. Bowdidge and George S. Swales, of Southwest Missouri State University, developed the Instructor's Resource Manual and Student Study Guide for *Business*

Essentials. The overhead transparencies were designed by Lewis B. Hershey of Hershey Consulting Services.

Authors, of course, typically get the credit when a book is successful, but the success of this book must be shared with an outstanding group of people in New Jersey, where a superb team of professionals at Prentice Hall made this book a pleasure to write. Our editor, Don Hull, initiated this new project and has contributed to the package in more ways than we can list. Karen Fortgang, of bookworks, oversaw the production of the text, which was beautifully designed by Donna Wickes. Assistant Editor David Shea managed the development of all the supplements. Teri Stratford and Melinda Reo handled photo research. Ron Librach, our Development Editor, pored over the manuscript at every step of the process, provided truly innovative design ideas, and continually encouraged us to add value here, to update there, to clarify this discussion, and to meet our deadlines.

Also at Prentice Hall we would like to acknowledge the expertise and support of Development Editor-in-Chief Steve Deitmer; Production Manager Joyce Turner; Art Director Pat Wosczyk; copy editor Kathleen Lafferty; and editorial assistants Andrea Cuperman and Renée Pelletier. On campus, research assistant Sharon Cokor provided quality assistance in a variety of ways. Phyllis Washburn furnished timely and professional secretarial services.

We owe a great deal of thanks to the professionals at Lawless Container Corporation in North Tonawanda and Buffalo, New York, who opened their doors to us and worked with us every step of the way to ensure that our Business Focus feature and video tape would be as exciting and groundbreaking as we knew they could be. In late 1993, Lawless became part of Chesapeake Packaging Co., and we wish them continued success in their industry. Specifically, we would like to thank David M. Chapin, President of Lawless; Wesley L. Herman, Executive Vice President; Anthony L. Urban, Vice President, Marketing; Randal N. Bernick, Controller/Treasurer; Michael M. Mroczka, Purchasing Manager; and George W. Pish, General Manager; and the many other employees of Lawless to whom we spoke during our visits.

Our colleagues at the University of Missouri and Texas A&M University also deserve recognition. We both have the good fortune to be a part of a community of scholars who enrich our lives and challenge our ideas. Without their intellectual stimulation and support, our work would suffer greatly.

Finally, our families. . . . We take pride in the accomplishments of our wives, Mary and Glenda, and draw strength from the knowledge that they are there for us to lean on. And we take great joy from our children, Matt, Kristen, Ashley, and Dustin. Sometimes in the late hours when we're ready for sleep but have to get one or two more pages written, looking at your pictures keeps us going. Thanks to all of you for making us what we are.

Ronald Ebert
Ricky Griffin



■ ABOUT THE AUTHORS

Ricky W. Griffin was born and raised in Corsicana, Texas. He received his B.A. from North Texas State University and his M.B.A. and Ph.D. from the University of Houston. He served on the faculty of the University of Missouri–Columbia from 1978 until 1981, when he joined the faculty at Texas A&M. In 1990, he was named the university's Lawrence E. Fouraker Professor of Business Administration.

Dr. Griffin's research interests include job design, organizational creativity, and social reality construction processes. He has done consulting in the areas of task design, employee motivation, and quality circles for such organizations as Baker-Hughes, Texas Instruments, Six Flags Corporation, Texas Commerce Bank, and AT&T. His research has won two Academy of Management Research Awards (both in the Organizational Behavior division) and one Texas A&M University Research Award.

Past-president of the Southwest Division of the Academy of Management, Dr. Griffin currently serves as the Director of the Center for Human Resource Management at Texas A&M. In addition to *Business*, he is the author or co-author of four books and more than 30 journal articles and book chapters.

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Dr. Ebert has held engineering and supervisory positions in quality management with the Frigidaire Division of General Motors Corporation. He has also done TQM and operations strategy consulting for the National Science Foundation, the United

States Savings and Loan League, Kraft Foods, Oscar Mayer, Sola Optical USA, Inc., the City of Columbia, and the American Public Power Association. His research interests include manufacturing policy and strategy, engineering design processes in product development, statistical quality control, and subjective managerial judgments in strategy formulation.

BUSINESS ESSENTIALS

THE CONTEMPORARY BUSINESS WORLD

The 1990s are an exciting time to do business. More goods and services are available than ever before, and advances in technology are improving productivity and quality in all facets of business activity. From Eastern Europe and Asia to Latin America nations are restructuring their economic and political systems, and new markets are opening up around the world.

An understanding of these trends will be extremely important to you as you enter your study of business and perhaps begin thinking about your career opportunities. In this part of Business Essentials, we introduce you to the U.S. business system, some of its emerging trends and challenges, and its role in the global economy.

Chapter 1 Understanding the U.S. Business System

Chapter 2 Setting Up Business in the United States

Chapter 3 Conducting Business Ethically and Responsibly

Chapter 4 Understanding International Business



Lawless Container Corporation: Its Business Is Boxes

- *What do Americans acquire in large quantities but own in small quantities?*
- *What do companies typically purchase to give away?*

The answer is as close as your local retail shelves: the boxes in which you buy everything from tubes of toothpaste to 29-cubic-foot refrigerators.

As we will see later in this book, boxes do more than protect goods from damage during shipment. They can convey a wealth of information about the products inside and can even help to “sell” you on their value. It is a small wonder, then, that manufacturers spend millions of dollars annually to have boxes designed and built to specification.

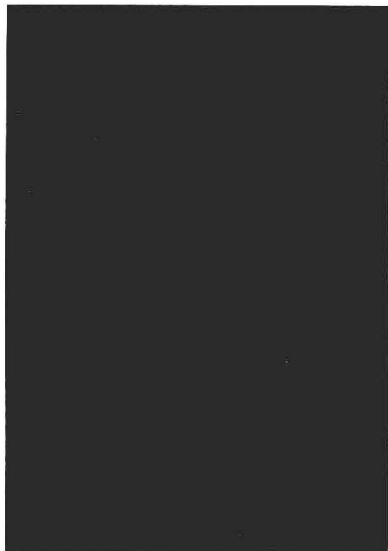
To meet these needs, manufacturers everywhere rely on the so-called container industry. In special cases at the beginning and end of each part of this book, we explore the challenges and excitement of doing business in the United States today by taking a look at the operations and experiences of one firm in this industry: Lawless Container Corporation.

The Lawless story goes back to 1946, when the Lawless family, which then operated a paper mill in Rochester, New York, established Lawless Container to produce corrugated boxes. In 1986, after four decades of success, a group of company managers bought out the Lawless family with the help of outside investors.* Today, the firm’s common stock is held by its management, by

*In 1994, another important chapter was written in the story of Lawless Container Corp.: The firm was purchased by Chesapeake Packaging Co. of Richmond, Virginia. The commentary on Lawless that has been developed for this book details the same sort of information that was available to managers at Chesapeake when they were considering the Lawless purchase. Chesapeake’s decision, we think, confirms our opinion that Lawless is a company worth knowing about—indeed, worth owning.

*For Jack and Fran—who have shown that commitment,
loyalty, and service are companions of love and honor*
R. J. E.

For Glenn and Nora Lee May—My “other” parents
R. W. G.



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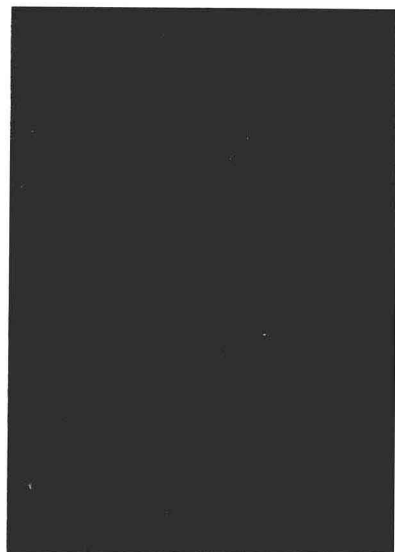
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