

SECOND EDITION

Business in Action

The Best Business
Websites in the
World in

See It on the WEB



A Step-by-Step
Guide to
*Building Your Own
Business Plan*

**Business
PlanPro**

Powerful Tools for
*Creating a Career
Search Portfolio*

See the back cover for details
about the exciting new student
supplements that can be
ordered with this text!



Courtland L. Bovée

John V. Thill

Barbara E. Schatzman

F715
E4

Business in Action

SECOND EDITION

Courtland L. Bovée

Professor of Business Administration

C. Allen Paul Distinguished Chair

Grossmont College

John V. Thill

Chief Executive Officer

Communication Specialists of America

Barbara E. Schatzman

Keller Graduate School of Management

President

Summit One Global Business Solutions

Prentice
Hall

Upper Saddle River, New Jersey 07458

Library of Congress Cataloging-in-Publication Data

Bovée, Courtland L.

Business in Action/Courtland L. Bovée, John V. Thill, Barbara E. Schatzman.—2nd ed.

p. cm.

Includes bibliographical references and index.

ISBN 0-13-046619-0

1. Business. 2. Commerce. 3. Industrial management. I. Thill, John V. II. Schatzman, Barbara E. III. Title.

HF1008 .B685 2004

650—dc21

2002037906

Acquisitions Editor: David Parker

Editor-in-Chief: Jeff Shelstad

Assistant Editor: Ashley Keim

Editorial Assistant: Melissa Yu

Media Project Manager: Anthony Palmiotto

Executive Marketing Manager: Debbie Clare

Marketing Assistant: Amanda Fisher

Managing Editor (Production): Judy Leale

Production Editor: Cindy Spreder

Production Assistant: Joe DeProspero

Permissions Supervisor: Suzanne Grappi

Associate Director, Manufacturing: Vincent Scelta

Production Manager: Arnold Vila

Manufacturing Buyer: Diane Peirano

Design Manager: Maria Lange

Art Director: Janet Slowik

Interior Design: Liz Harasymczuk

Cover Design: Liz Harasymczuk

Cover Illustration/Photo: Alexander Barsky

Illustrator (Interior): EletraGraphics, Inc.

Manager, Print Production: Christy Mahon

Composition: Progressive Information Technologies

Full-Service Project Management: Donna King, Progressive Publishing Alternatives

Printer/Binder: Von Hoffman

Credits and acknowledgments borrowed from other sources and reproduced, with permission, in this textbook appear on pages R-16–R-21.

Copyright © 2004 and 2001 by Bovée & Thill LLC. All rights reserved. Printed in the United States of America. This publication is protected by copyright and permission should be obtained from the publisher prior to any prohibited reproduction, storage in a retrieval system, or transmission in any form or by any means, electronic, mechanical, photocopying, recording, or likewise. For information regarding permission(s), write to: Rights and Permissions Department.

Pearson Education LTD.

Pearson Education Australia PTY, Limited

Pearson Education Singapore, Pte. Ltd

Pearson Education North Asia Ltd

Pearson Education Canada, Ltd

Pearson Educación de México, S.A. de C.V.

Pearson Education—Japan

Pearson Education Malaysia, Pte. Ltd

**Prentice
Hall**

10 9 8 7 6 5 4 3 2 1
ISBN 0-13-046619-0

Take an Inside Look at **BUSINESS IN ACTION**

Debate Whether Corporate America Is Having an Ethical Meltdown

- Enron: A Case Study in Unethical Behavior
- Firestone and Ford: Failure to Yield or Asleep at the Wheel?
- What Happened to Director Independence and Integrity?
- Where Were the Auditors?
- How Arthur Andersen's Embrace of Consulting Sealed Its Fate
- Increasing Waves of Securities Fraud, Accounting Trickery, and Insider Trading
- The Betrayed Investor
- Is America's Infatuation with Wall Street Coming to an End?

Sample Our Exciting Line Up of Feature Companies in Vignettes, Cases, and Boxes

- Why Is Papa John's Rolling in Dough?
- Nokia: A Finnish Fable
- Liveperson Puts a Pulse on the Web
- Jet Blue: Making Tough Management Decisions in Tough Times
- Virtual Teams at American Express
- Harley-Davidson Goes Full Throttle
- Green Gear's Bike Friday Really Travels
- Flying High with Adobe's Acrobat
- Scaling New Heights at REI
- Floorgraphics: Advertising You Can Step On
- Hugs Turn into Woes at PeopleSoft
- Schwab Puts It All Online

Stay on Top of Current Trends in E-Commerce and E-Business

- Roadblocks on the European and Asian Superhighways
- Why Did the Dot-Coms Fall to Earth?
- What's All the Buzz About B2B?
- Job Recruiting Moves to the Net
- Click and Learn: E-Training Today's Employees
- Developing a Clicks and Bricks Marketing Strategy
- Cyberbanks Hit a Brick Wall
- Converting Your Résumé to an Electronic Format

Follow These Steps to Learn More About Business Planning

- Describing Your Company's Products or Services
 - Researching the Economic Outlook for Your Industry
 - Setting Your Company Goals and Objectives
 - Planning Your Marketing Strategies
 - Financing Your Start-Up
 - Assessing Your Company's Risk
 - Developing Your Company's Mission Statement
-

Take an Inside Look at **BUSINESS IN ACTION**

Explore These Hot Topics

- Terrorism's Impact on the Global Business Environment
- Current Trends in Mergers, Consolidations, and Acquisitions
- Virtual Teams in the Workplace
- Stock Options Ups and Downs
- How Strict Is GAAP?
- Privacy in the Workplace
- The Aftermath of Industry Deregulation
- European Union's Impact on the Rules of Global Trade
- Quality of Work Life
- Diversity in the Workplace
- Alternative Work Arrangements
- Building Relationships with Customers

Step into the Real World of Business— with Videos

- Helping Businesses Do Business: U.S. Department of Commerce
- Doing the Right Thing: American Red Cross
- Giving Global Law and Order a Helping Hand: Printrak
- Flying High in Small Business: Durango Pro-Focus Flight Training Center
- Juicing Up the Organization: Nantucket Nectars
- Creative Management: Creative Age Publications
- Feeling Like Part of the Family: Kingston Technology

- Managing Production Around the World: Body Glove
- Keeping Labor-Management Relations on Track: Witt Firm
- Managing the Human Side of the Business: Park Place Entertainment
- Sending Products into Space: MCCI
- Revving Up Promotion: BMW Motorcycles
- Accounting for Billions of Burgers: McDonald's
- Funding the Business World: Coast Business Credit

Complete Web Exercises That Are Informative and Fun

- Step Inside the Economic Statistics Briefing Room
- Protect the Environment
- Navigate Global Business Differences
- Guide Your Way to Small Business Success
- Learn the ABCs of IPOs
- Follow the Fortunes of the *Fortune* 500
- Build a Great Board
- Resolve Conflict Like a Pro
- Telecommute Your Way to Success
- Dig Deeper at the Bureau of Labor Statistics
- Sign Up for Electronic Commerce 101
- Learn the Consumer Marketing Laws
- Think Like an Accountant
- Stock Up at the NYSE



A GUIDED TOUR of the text that lets students experience **Business in Action!**

Business in Action lets students experience business firsthand through a variety of highly involving activities and real-world examples that no other textbook can match. Students will appreciate the broad selection of featured companies along with the text's user-friendly layout, manageable length, eye-catching graphics, conversational tone, and tie-in with Business PlanPro software. From the global economy to the world of small business, *Business in Action* takes students on an engaging exploration of the fundamentals, strategies, and dynamics that make the business world work.

Business in Action is a compelling model of today's most effective instructional techniques. The text uses an extraordinary number of devices that simplify teaching, promote active learning, stimulate critical thinking, and develop career skills. This text is the most effective teaching and learning tool you'll find for an introductory business course. As you'll see on the pages that follow, *Business in Action* will make your classes livelier, more relevant, and more enjoyable.

LEARN ABOUT THE FEATURES OF THIS EXCITING TEXT

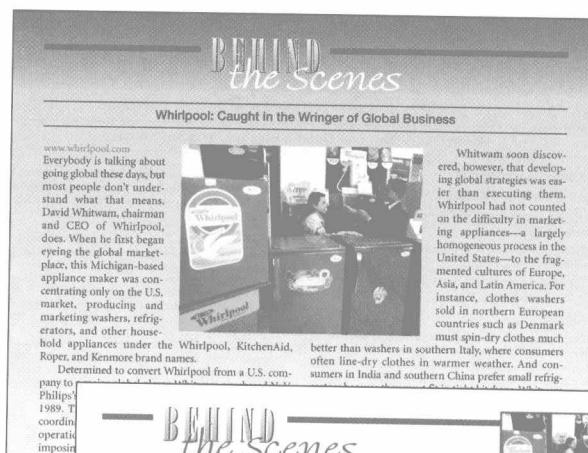
Behind the Scenes

Chapter-Opening Vignette

Each chapter begins with a slice-of-life vignette that attracts student interest by vividly portraying a challenge faced by a real businessperson. Each vignette ends with thought-provoking questions that draw students into the chapter.

Chapter-Ending Case

Each chapter ends with a case that expands on the chapter-opening vignette. The case includes three critical-thinking questions that require students to apply the concepts covered in the text. Plus, students can find out more about the company featured in the case by completing the "Learn More Online" exercise.



Learning Objectives

In each chapter, clearly stated learning objectives signal important concepts to be mastered. The end-of-chapter Summary of Learning Objectives reinforces basic concepts by capsulizing chapter highlights for students.

When Will China Get Real?

Welcome to the People's Republic of China, where copies of well-known foreign products are as available as tea and rice at meals. China produces more fakes than any other nation—everything from autos to aircraft parts, beer to razor blades, soap to shampoo, TVs to toilets. Nearly half of the world's 14 billion batteries are produced in China. But most of them are fake versions of Panasonic, Gillette, and other big brands. Bikes with names that include Yamaha zip along the roads from Beijing to Tibet, but Yamaha didn't make a lot of them. Procter & Gamble (P&G) claims counterfeiters sell \$150 million of fake P&G products annually.

Counterfeiting has infiltrated nearly every sector of China's economy. Most counterfeiters work at small to midsize factories, but many stay at home, doing things like filling Head & Shoulders bottles with concoctions from large vats in their living rooms. Overall, the amount of China's manufacturing base that is dependent on illegal knockoffs is estimated to be 10 percent to 30 percent—and growing. The simple reason for the explosion in counterfeit is the big money and low risk involved. A Chinese counterfeiter knows he'll only get a slap on the wrist if caught.

Raids do occur daily but even the government's efforts aren't cracking down on the number of counterfeiters. Local officials are hesitant to stop the pirates because they create millions of jobs. "Entire villages live off counterfeiting. If you suddenly throw these people out of work, you'll have riots," says one spokesperson for a leading private anticounterfeiting agency. Shutting down the fakes at Yiwu—China's largest wholesale distribution center, where it is estimated that 80 percent of the consumer goods sold are counterfeit—would cripple the city's economy, because many hotels, restaurants, and businesses cater to the trade.

Worse still, the fakes are exported everywhere—to Europe, Russia, the Middle East. Unilever says that fake

Dove soap is making its way from China into Europe. Bose, a maker of high-end audio systems, is finding Chinese fakes in overseas markets. The pirates have indeed moved to a whole new level of sophistication. Ten years ago, China's knockoffs were below Western standards. Now, many fake Duracells look so genuine that Gillette has to send them to a forensics lab to analyze them. Fake watches even contain full-sized Swiss movements and real gems. It's scary to think about what could wind up on the world's shelves.

So what are pirated brand owners to do? For the most part, companies are trying to boost government enforcement, a tough task. For example, although U.S. sunglasses maker Oakley has gotten Chinese authorities to close counterfeiters' factories, new ones pop up in their place. Many multinationals are shutting down or shrinking some product lines in China because these products are overrun by counterfeiters. But China's market is so vast and promising, few companies are willing to pull out entirely.

When will China get real? Not in the near future. For one thing, China's legal system is riddled with loopholes. For another, counterfeiting is so ingrained in China's culture that many Chinese view it as harmless. Moreover, a real crackdown on counterfeiting could create serious social turmoil and costs to the central government, because counterfeiting is the livelihood of so many citizens. So while China's lawmakers grapple with a solution, endless raids are all China has to offer—for now.

Questions for Critical Thinking

1. Why doesn't China use its manufacturing skills to make its own products?
2. Honda recently set up a joint venture to make and sell motorcycles with a Chinese company that used to produce Honda knockoffs. Why would Honda do this?

Special Feature Boxes

Two special feature boxes in each chapter make the world of business come alive with current examples to further enhance student learning. Each box includes two critical-thinking questions that are ideal for developing team or individual problem-solving skills.

Video Case

Giving Global Law and Order a Helping Hand at Printrak

LEARNING OBJECTIVES

The purpose of this video is to help you:

1. Understand how and why a company adapts to the needs of foreign customers.
2. Identify the levels of international involvement that are available to companies.
3. Discuss the differences that can affect a company's international operations.

SYNOPSIS

Scotland Yard and the Canadian Mounties are only two of the many organizations around the world that use security technology from Printrak www.prinkrakininternational.com, a Motorola company. Starting with a computerized fingerprint management system, Printrak has added a number of security and criminal information products as it expanded from its California headquarters to serve customers around the globe. General manager Darren Reilly and his management team study each country's legal, political, economic, and cultural differences, as well as analyzing local demand and customer needs. Rather than invest in local plants and equipment, Printrak works through local sales agents to ensure that its products are presented in a culturally-savvy way for each market. Despite country-by-country differences in business customs and ethics, the decisions and actions of Printrak's employees are guided by Motorola's code of conduct.

Discussion Questions

1. *For analysis:* What are some of the barriers that affect Printrak's ability to do business in foreign markets?

2. *For analysis:* From Printrak's perspective, what are the advantages and disadvantages of hiring and training local sales agents to work with customers in each foreign market?
3. *For application:* In addition to establishing users committees, what else should Printrak do to track changing customer needs in other countries?
4. *For application:* How would you suggest that Printrak build on its relations with "beachhead customers" to expand in particular regions?
5. *For debate:* Printrak employees and managers must comply with Motorola's global ethics policy. Should local sales agents be allowed to take any actions they deem necessary to make sales in local markets, regardless of Motorola's policy? Why?

ONLINE EXPLORATION

Browse Printrak's home page, www.prinkrakininternational.com, see where the company has customers, and read some of the news releases about international operations. Also look at the resource links that Printrak has posted for customers and site visitors. Why would Printrak publicize its customer list in this way? Why would it include a glossary of security-related terms and acronyms on the website? Finally, do you think the company should translate some or all of its website to accommodate foreign customers? Explain your response.

Video Cases

ALL NEW! Fourteen new custom videos are linked to end-of-chapter cases and exercises to help students see how real-life businesses and the people who run them apply fundamental business principles on a daily basis. The format for each video is as follows: (1) a moderator sets the scene, (2) concepts unfold, (3) a moderator recaps core issues as the video pauses for in-class questions and discussion, and (4) the video concludes with answers to in-class discussion questions.

Test Your Knowledge

Questions for Review

Five end-of-chapter questions reinforce learning and help students review the chapter material.

Questions for Analysis

Five end-of-chapter questions help students analyze chapter material. One of these questions is ethics-based and is labeled “Ethical Considerations.”

Questions for Application

Five end-of-chapter questions give students the opportunity to apply principles presented in the chapter material. Selected questions labeled “Integrated” ask students to tie material learned in previous chapters to the topics in the chapter they’re currently studying.

Practice Your Knowledge

Sharpening Your Communication Skills

These exercises call on students to practice a wide range of communication activities, including one-on-one and group discussions, personal interviews, panel sessions, oral and written papers, and letter- and memo-writing assignments.

Building Your Team Skills

These exercises teach students important team skills, such as brainstorming, collaborative decision making, developing a consensus, debating, role playing, and resolving conflict.

Expand Your Knowledge

Exploring Career Opportunities

Students are given the opportunity to explore career resources on campus, observe businesspeople on their jobs, interview businesspeople, and perform self-evaluations to assess their own career skills and interests.

Developing Your Research Skills

These exercises familiarize students with the wide variety of business reference material that’s available, and they give students practice in developing research skills.

See It on the WEB

End-of-chapter “See It on the WEB” exercises acquaint students with the wealth of information on the web that relates to the content of each chapter. Students explore three websites and answer questions that reinforce and extend chapter learning.

Test Your Knowledge

Questions for Review

1. How can a company use a licensing agreement to enter world markets?
2. What two fundamental product strategies do companies choose between when selling their products in the global marketplace?
3. What is the balance of trade, and how is it related to the balance of payments?
4. What is dumping, and how does the United States respond to this practice?
5. What is a floating exchange rate?

Questions for Analysis

6. Why would a company choose to work through intermediaries when selling products in a foreign country?
7. How do companies benefit from forming international joint ventures and strategic alliances?
8. What types of situations might cause the U.S. government to implement protectionist measures?

9. How do tariffs and quotas protect a country’s own industries?
10. **Ethical Considerations.** Should the U.S. government more closely regulate the practice of giving trips and other incentives to foreign managers to win their business? Is this bribery?

Questions for Application

11. Suppose you own a small company that manufactures baseball equipment. You are aware that Russia is a large market, and you are considering exporting your products there. What steps should you take? Who might be able to give you assistance?
12. Because your Brazilian restaurant caters to Western businesspeople and tourists, much of the food you buy is imported from the United States. Lately, the value of the real (Brazil’s currency) has been falling relative to the dollar. This change makes your food imports much more costly, and it negatively affects your profitability. You have three options: which one will you choose? (a) Raise menu prices across the board. (b) Accept

Practice Your Knowledge

Sharpening Your Communication Skills

Languages never translate on a word-for-word basis. When doing business in the global marketplace, choose words that convey only their most specific denotative meaning. Avoid using slang or idioms (words that can have meanings far different from their individual components when translated literally). For example, if a U.S. executive tells an Egyptian executive that a certain product “doesn’t cut the mustard,” chances are that communication will fail.

Team up with two other students and list 10 examples of slang (in your own language) that would probably be misinterpreted or misunderstood during a business conversation with someone from another culture. Next to each example, suggest other words you might use to convey the same message. Make sure the alternatives mean exactly the same as the original slang or idiom. Compare your list with those of your classmates.

Building Your Team Skills

In today’s interdependent global economy, fluctuations in a country’s currency can have a profound effect on the flow of products across borders. The U.S. steel industry, for example, has been feeling intense competition from an influx of Korean, Brazilian, and Russian steel imports. After the currencies of

those countries plummeted in value, the price of steel products exported to the United States dropped as well, making U.S. steel much more expensive by comparison.

Fueled by low prices, steel flooded into the United States, hurting sales of U.S. steel. Over the course of several months, the volume of steel imports nearly doubled. Stung, U.S. steelmakers slashed production and laid off more than 10,000 U.S. workers. U.S. trade officials charge that the cheap imported steel is being dumped, and they are considering protectionist measures such as imposing quotas on steel imports.⁹¹

With your team, brainstorm a list of at least four additional ways the United States might handle this situation. Once you have your list, consider the probable effect of each option on these stakeholders:

- U.S. businesses that buy steel
- U.S. steel manufacturers
- U.S. businesses that export to Korea, Brazil, or Russia
- Employees of U.S. steel manufacturers

On the basis of your analysis and discussion, which option will your team recommend? Select a spokesperson to explain your selection and your team’s reasoning to the other teams. Compare your recommendation with those of your classmates.

Expand Your Knowledge

Discovering Career Opportunities

If global business interests you, consider working for a U.S. government agency that supports or regulates international trade. For example, here are the duties performed by an international trade specialist at the International Trade Administration of the U.S. Department of Commerce: “The incumbent will assist senior specialists in coordination and support of government trade programs and events; perform research and analysis of trade data and information on specific topics or issues within a larger project or assignment; and disseminate trade information and

materials on government products/services to U.S. businesses and associations. Incumbent will attend meetings and engage in other activities for developmental purposes. As a condition of employment, applicants must be available for reassignment and relocation within the United States.”⁹²

1. On the basis of this description, what education and skills (personal and professional) would you need to succeed as an international trade specialist? Why? How does this job description fit your qualifications and interests?

Focusing on E-Business in Action

From the smallest dot-coms to lumbering global giants, e-business is influencing the way all companies do business today. And while the Internet bubble has burst, Internet technology and e-commerce remain very much a part of the business environment. "E-Business in Action" is a dedicated section that appears at the end of each text part and will expand student learning by explaining in depth the important challenges companies are facing in the world of e-business.

Business PlanPro EXERCISES



Conducting Business in the Global Economy
Review Appendix C, "Your Business Plan" (on pages 000-000), to learn how to use Business PlanPro Software so you can complete these exercises.

Think Like a Pro

Objective: By completing these exercises you will become acquainted with the sections of a business plan that address forms of competition, company and product/service descriptions, and the economic outlook for the related industry. You will use the sample business plan for Adventure Excursions Unlimited (listed as Travel Agency-Adventure Sports in the Sample Plan Browser) in this exercise. Use the table of contents to move from section to section as you explore the plan and answer these questions.

1. What products and services does Adventure Excursions provide? Will the company compete on the

basis of price, speed, quality, service, or innovation to gain a competitive advantage?

2. What is the economic outlook for the travel industry? What competition does Adventure Excursions face?
3. How does Adventure Excursions plan to use the Internet?

Create Your Own Business Plan

Now start a new plan for your own business. Answering the following questions will help you think about different aspects of your business plan. Enter your answers in the appropriate sections of the new business plan.

What information should you include about your product or service when creating a business plan? Describe in detail the product or service your company will provide. Indicate whether you will compete on price, speed, quality, service, or innovation. What are some of the things you should discuss about your competition in a business plan? In what industry will you compete? What is the economic outlook for that industry? What kinds of competition do you expect to face?

E-Business in Action

ROADBLOCKS ON THE EUROPEAN AND ASIAN SUPERHIGHWAYS

Late to the Internet and electronic commerce, Europe and Asia have trailed the United States in its use and enthusiasm for the web. About 75 percent of all electronic commerce is U.S. based, and U.S. companies now account for about 90 percent of all commercial websites. But Europe and Asia are trying to catch up. Young firms in Europe and Asia are taking their businesses to the web, using ideas originally conceived and launched in the United States and adapting them for the local market. Still, obstacles such as cultural resistance, governmental regulations, and ineffective and inefficient infrastructures exist.

Cultural Resistance

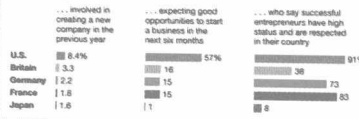
Compared to Americans, Europeans generally have a stronger need to avoid uncertainty in their lives. Because purchasing over the Internet does not involve an immediate exchange of goods or money, it generates feelings of uncertainty and loss of control over the buying process. As a result, many Europeans are reluctant to shop online. They use the Internet for communication such as e-mail and information services, but they do not make purchases online.

In addition to consumer indifference, employee resistance to change is curbing European businesses from dabbling in e-commerce. Newer ways of thinking and doing business are instrumental to conducting e-commerce successfully, but many traditional companies find it difficult to convince employees to modify their existing business

BOOTSTRAP CAPITALISM

Polls show that Europe remains far less fertile ground for entrepreneurship than the United States, though entrepreneurs themselves are gaining respect.

Percent of respondents...



real world, but on the Internet, it can be even harder," says one Asian e-business owner. Still, even if Asian and European companies overcome e-commerce cultural roadblocks, they face a variety of governmental obstacles.

Government Regulations

The American government has given a big push to electronic commerce in the United States by generally exempting Internet purchases from sales tax and by not encumbering e-commerce with regulations. European leaders say they support the rise of the Internet economy. Nonetheless, many governments burden e-commerce with a maze of rules, regulations, and tax laws from another era. For instance, to protect neighborhood stores, German regulations prohibit most price discounting on consumer goods. The same laws keep airlines from dumping unsold seats at the last minute with fire-sale fares. Online auctions run into legal tangles because laws require the physical display of goods to be sold at the auction. And legislative mazes turn the simple act of registering a web address into a long and complex process. Such red tape curbs the growth of e-commerce.

Governmental support for e-commerce is nonexistent in

Business PlanPro Exercises

The end-of-part "Business PlanPro Exercises" enable students to apply the knowledge they've gained from reading chapters within that part to using Business PlanPro software. Each exercise has two tasks: "Think Like a Pro" tasks require students to navigate the software, find and review information in sample business plans, and evaluate and critique some of the thinking that went into these plans. "Create Your Own Business Plan" tasks provide students with an opportunity to apply their skills to create their own winning business plan.

Business Plan (Appendix C)

Instructors who want a more complete business-planning experience for their students will want to take advantage of this text's appendix. Using Business PlanPro software as a foundation, this appendix carefully takes students through each step toward creating a winning business plan. In addition, by completing the chapters in the text, and after studying numerous business plan examples, students will be able to build their own complete business plan by the end of the term.

Four-Way Approach to Vocabulary Development

This text's four-way method of vocabulary reinforcement helps students learn basic business vocabulary with ease. First, each term is printed in boldface within the text. Second, a definition appears in the margin adjacent to the term. Third, an alphabetical list of key terms appears at the end of each chapter, with convenient cross-references to the pages where the terms are defined. Fourth, all marginal definitions are assembled in an alphabetical glossary at the end of the book. In addition, key terms in the text's glossary are also available in Spanish on the text's website in an audio glossary for students who wish to take advantage of this option.

TEACH WITH AN UNPARALLELED SUPPLEMENTS PACKAGE

The instructional resource package accompanying this text is specially designed to simplify the task of teaching and learning. Several new and exciting items have been added.

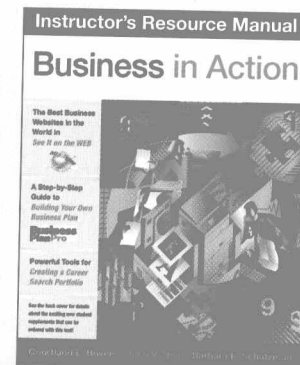
Study Guide

A *Study Guide for Business in Action* by Garry Grau, Northeast State Technical Community College, is designed to increase your students' comprehension of the concepts presented in this text. The guide provides chapter-by-chapter explanations and exercises designed to reinforce comprehension of key terms and concepts and to promote concept-application skills.

Instructor's Resource Manual

This manual, written by Brandi N. Guidry Hollier and Dwayne J. Hollier, University of Louisiana at Lafayette, contains a set of completely integrated support materials. It is designed to assist instructors in quickly finding and assembling the resources available for each chapter of the text and includes the following new material:

- Learning objectives
- Learning objectives summarized
- Brief chapter outline
- Detailed lecture outlines and notes with suggested classroom activities integrated throughout
- A list of the difficulties (for each chapter) that students often face with material presented and suggestions given for overcoming them
- Real-world cases with discussion questions
- Answers to all end-of-chapter questions, problems, and assignments
- A detailed video guide with answers to video exercise questions
- One 10- to 15-question pop quiz for each chapter
- Sample syllabus

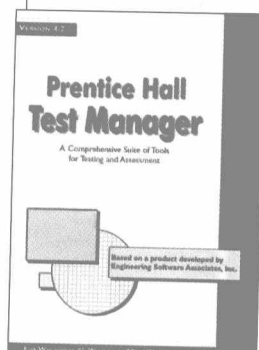


ALL NEW! Test Item File

An all-new *Test Item File* contains 14 chapters of 125-150 questions per chapter, all of which have been carefully checked for accuracy and quality. This comprehensive set, written by Barbara Luck, Jackson Community College, consists of multiple-choice, true/false, fill-in-the-blank, and essay questions. Each test question is ranked based on Bloom's Taxonomy and by

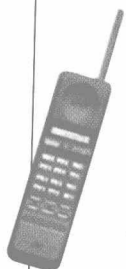


level of difficulty (easy, moderate, or difficult) and contains page references to allow the instructor a quick and easy way to balance the level of exams or quizzes. In this latest edition of the Test Item File, each chapter begins with a correlation table for a quick overview of types and quantity of questions available within each chapter.



Prentice Hall's Computerized Test Manager (Windows Version)

Our user-friendly software allows you to generate error-free tests quickly and easily by previewing questions individually on the screen and then selecting randomly by query or by number. The Computerized Test Manager allows you to generate random tests with our extensive bank of questions. You can also edit our questions/answers and even add some of your own. You can create an exam, administer it traditionally or online, and analyze your success with a simple click of the mouse. The newest version of our Computerized Test Manager, ESATEST 2000, has been improved to provide users with a vast array of new options.

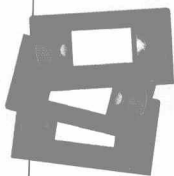


Telephone Test Preparation

For those instructors who prefer not to use the Computerized Test Item File, Prentice Hall provides a special 800 call-in service. All you need to do is call the 800 Testing Help Desk at 800-550-1701 to have a customized test created. The test can then be delivered by e-mail, U.S. mail, or overnight carrier.

Color Acetate Transparency Program

A set of color transparency acetates, created by Myles Hassell, University of New Orleans, is available to instructors on request. The acetates highlight text concepts and supply additional facts and information to help bring concepts alive in the classroom and enhance the classroom experience.



All New! Videos

Fourteen new custom videos are linked to end-of-chapter cases and exercises to help students see how real-life businesses and the people who run them apply fundamental business principles on a daily basis.

PowerPoint Presentation

Enhance your classroom presentations with this well-developed PowerPoint presentation set, created by Myles Hassell, University of New Orleans. It comes in two versions:

- 1. Instructor version:** An enhanced PowerPoint package for instructors to use in class, with more than 250 text-specific PowerPoints that highlight fundamental concepts by integrating key graphs, figures, and illustrations from the text. Free to adopters, these PowerPoint slides are available on CD or can be downloaded from the instructor's resource section of the Companion Website at www.prenhall.com/bovee.
- 2. Student version:** A special PowerPoint version that students can use for review purposes or that can be conveniently printed three to a page for in-class note taking. These slides can be accessed in the student's resource section of this text's website.



Instructor's Resource CD-ROM

This CD includes the *Instructor's Resource Manual*, PowerPoint presentation, and Computerized Test Item File.

New! Business Plan Supplement

This comprehensive saleable supplement, written by David Toohey, University of New Hampshire's Thompson School, provides step-by-step lessons with actual case studies to guide the student's preparation of a winning business plan. Upon completion of all the cumulative lessons, each student will have created a polished and professional business plan, whether he or she chooses to do so by hand or with Palo Alto's Business PlanPro software.

New! Career Portfolio Supplement

This unique saleable supplement, written by James O'Rourke, University of Notre Dame, takes students through the process of building their individualized career portfolio. Students walk through the process of self-assessment, matching career opportunities, initiating the job search using the latest Internet-based search vehicles, preparing all job-search-related documents, and following up. Upon completion of the supplement, students will have a career portfolio they can use and build on as their career progresses.

New! Business Ethics in Uncertain Times: A Special Supplement

This special supplement covers key issues in contemporary business ethics, including the following:

- Management's responsibility for accountability; conflicts of interest, protection of employees, protection of stockholders, and compliance with legal and regulatory standards
- Corporate governance, including how and why it's supposed to work but doesn't always; outside directors versus insiders with conflicts of interest; and audit committees
- Accounting practices, including why and how public corporations hide debt and mischaracterize expenses, how previously accepted accounting practices are now being questioned, the role of CPA firms in auditing statements, and ways to manage conflicts of interest with consulting clients
- Stakeholder relations, including the importance of honest and complete financial statements to inform current and potential shareholders, ways to maintain employee trust, and relations with unions
- Ethical decisions and behavior, including what can be done to encourage and support ethical actions, such as codes of conduct, ethical training, whistleblower and ombudsman structures, legal and regulatory oversight of auditors and managers, separation of consulting and auditing, and director accountability
- Dedicated sections on analyzing ethics at Enron, Arthur Andersen, and at WorldCom

Chapter-ending pedagogy includes "Questions for Review", "Questions for Discussion and Analysis", "For Further Research", and "Ethics Resources Online". This new supplement can be packaged with the text for free. To order, contact your local Prentice Hall representative (ISBN: 0-13-141422-4).

Business PlanPro Software

Business PlanPro Business PlanPro software provides students with a step-by-step approach to creating a comprehensive business plan. Preformatted report templates, charts, and tables do the mechanics so students can focus on the thinking. Business PlanPro software can be packaged with the textbook for a nominal fee of \$10.

Mastering Business Essentials CD



This innovative, interactive CD gives students an introduction to the wide range of concerns facing businesses today. The CD contains 12 episodes that use a series of videos with enhanced interactive exercises that help students apply the lessons of the classroom to all the key areas of business at an e-business called CanGo. The *Mastering Business Essentials* CD can be shrink-wrapped with this text at no charge. The following topics are covered:

- The Goal of the Firm and Social Responsibility
- The Economic Way of Thinking
- Ethical Issues
- Concepts of Strategic Management
- Working in Groups and Teams
- Managerial Accounting and Cost Behavior
- Raising Capital
- Work Motivation
- Leadership
- Marketing Concepts/Strategy
- Understanding Consumer Behavior
- Strategy and Operations

Business Terminology in Spanish on the Text's Website

Key business terms from the glossary are presented on the text's website in Spanish and English with definitions and a short audio clip stressing the correct pronunciation.

New York Times Offer

Prentice Hall is pleased to offer students a discounted 10-week subscription to the *New York Times* for \$20 packaged with the text. This offer saves students over 50 percent off the regular student subscription rate! In addition, instructors ordering this subscription package receive a complementary one-semester subscription.

Financial Times Offer



You can receive a 15-week print subscription to the *Financial Times* for \$10 with this text. The Prentice Hall textbook + subscription package will contain a 16-page, full-color *Financial Times* student guide shrink-wrapped with the textbook. Bound inside the student guide will be a reply card that entitles the student to claim a prepaid 15-week subscription. After the student mails in the reply card, the subscription should begin in 5 to 7 business days.

Introduction to Business Insights Newsletter for Faculty

Delivered exclusively by e-mail, this newsletter provides interesting materials that can be used in class and offers a wealth of practical ideas about teaching methods. To receive a complimentary subscription, send an e-mail to bovee@leadingtexts.com. In the subject line, put "IBI Subscription Request." In the

message area, please list your name and institutional affiliation. You can also subscribe at the authors' website at www.leadingtexts.com.

Authors' E-Mail Hotline for Faculty

Integrity, excellence, and responsiveness are the authors' hallmarks. This means providing you with textbooks that are academically sound, creative, timely, and sensitive to instructor and student needs. As an adopter of *Business in Action*, you are invited to use the authors' e-mail hotline. The authors want to be sure you're completely satisfied, so if you ever have a question or concern related to the text or its supplements, please e-mail them at bovee@leadingtexts.com. You can also access the hotline at www.leadingtexts.com. The authors will get back to you as quickly as possible.



PREVIEW THE COMPANION WEBSITE FOR *BUSINESS IN ACTION*

The Companion Website is your personal tool to the free online resources for this book, located at www.prenhall.com/bovee.

The website features one-click access to all of the resources created by an award-winning team of educators. Here is a preview of its exciting features.

For the Student

- **Companion Website Homepage.** Unite all your texts with this personal access page.
- **Study Guide.** Test your knowledge with this interactive study guide that offers a wide variety of self-assessment questions for each chapter. Results from the automatically graded questions for every chapter provide immediate feedback that can serve as practice or can be e-mailed to the instructor for extra credit.
- **Internet Exercises.** Drawn directly from the book's end-of-chapter material. Students can link to a variety of websites and answer questions based on both website and text content.
- **Student Resources.** Access the websites featured in this text by using the hotlinks, review chapter content by viewing the student version of the PowerPoint slides, or use the special materials developed for this course.
- **Research Area.** Let the website save you time finding the most valuable and relevant material available on the web. With a compilation of the best search tools currently available plus links to virtual libraries so students and instructors can quickly and efficiently search the web for just the right piece of information.
- **Study Hall.** Includes information on personal finance, time management, study skills, and academic majors. Get career information, view sample résumés, even apply for jobs online.
- **Current Events.** Check out links to articles in today's business news.

For the Instructor

- **Online Faculty Support.** In this password-protected area, get the most current and advanced support materials available, including downloadable supplements, such as the *Instructor's Resource Manual*, PowerPoints, *Test Item File*, articles, links, and suggested answers to current events activities on the website.
- **Syllabus Editor.** Follow the easy steps for creating and revising an online syllabus, with direct links to companion websites and other online content. Changes you make to your syllabus are immediately available to your students at their next login.
- **Messages.** Send messages to individual students or to all students linked to a course.
- **Financial Times Week Ahead.** Andrew Hill, U.S. business editor for the *Financial Times*, previews top stories weekly that are sure to be in the business news.

OFFER BUSINESS IN ACTION AS AN ONLINE COURSE

Now you have the freedom to personalize your own online course materials! Prentice Hall Business Publishing provides the content and support you need to create and manage your own online course materials in WebCT, Blackboard, and CourseCompass.



WebCT

Gold Level Support, available exclusively to adopters of Prentice Hall courses, is awarded free of charge on adoption and provides you with priority assistance, training discounts, and dedicated technical support from WebCT.



Blackboard

Take your courses to new heights in student interaction and learning. Prentice Hall's class-tested online course content is now available with Blackboard's products and easy-to-use interface.

CourseCompass



CourseCompass™ is a dynamic, interactive course management tool powered by Blackboard. This exciting product allows you to teach with market-leading Pearson Education content in an easy-to-use, customizable format.

In addition to the standard WebCT, Blackboard, and CourseCompass content, which includes a test item file and study guide for students, Prentice Hall's premium content features comprehensive coverage with section-level headings and page references. Each section begins with a pretest. Next is a research-based application and learning activity. Each section then concludes with a post-test.

PERSONAL ACKNOWLEDGMENTS

In our second edition, we want to recognize and thank Jackie Estrada for her outstanding editorial skills and excellent attention to details; Karen Bierstedt and Susan Sawyer for their noteworthy talents; Stef Gould for her artistry; and Joe Glidden for his research efforts and database supervision.

The supplements package for *Business in Action* has benefited from the able contributions of numerous individuals. We would like to express our thanks to them for creating the finest set of instructional supplements in the field.

We want to extend our warmest appreciation to the devoted professionals at Prentice Hall. They include Jerome Grant, president; Jeff Shelstad, vice president and editor-in-chief; David Parker, editor; Debbie Clare, executive marketing manager; Ashley Keim, assistant editor, all of Prentice Hall Business Publishing, and the outstanding Prentice Hall sales representatives. Finally, we thank Judy Leale, managing editor of production; Janet Slowik, art director; Cindy Spreder, production editor; and Anthony Palmiotto, media project manager, for their dedication. We are also grateful to Donna A. King, project manager—Progressive Publishing Alternatives; Suzanne Grappi, permissions supervisor; Melinda Alexander, photo researcher; and Liz Harasymczuk, designer, for their superb work.

Courtland L. Bovée

John V. Thill

Barbara E. Schatzman

Contents in Brief

Preface xi

Part 1 Conducting Business in the Global Economy 1

- Chapter 1** Understanding the Fundamentals of Business and Economics 1
- Appendix A** Reviewing Internet and E-Commerce Fundamentals 26
- Chapter 2** Practicing Ethical Behavior and Social Responsibility 38
- Chapter 3** Competing in the Global Economy 63

Part 2 Starting and Organizing a Small Business 90

- Chapter 4** Starting and Financing a Small Business 90
- Chapter 5** Selecting the Proper Form of Business Ownership and Exploring Business Combinations 114

Part 3 Managing a Business 138

- Chapter 6** Understanding the Functions and Roles of Management 138
- Chapter 7** Organizing and Working in Teams 161
- Chapter 8** Producing Quality Goods and Services 184

Part 4 Managing Employees 211

- Chapter 9** Motivating Today's Workforce and Handling Employee-Management Relations 211
- Chapter 10** Managing Human Resources 236

Part 5 Developing Marketing Strategies to Satisfy Customers 260

- Chapter 11** Developing Product and Pricing Strategies 260
- Chapter 12** Developing Distribution and Promotional Strategies 289

Part 6 Managing Financial Information and Resources 316

- Chapter 13** Analyzing and Using Financial Information 316
- Chapter 14** Understanding Banking and Securities 344

Appendixes

- Appendix B** The U.S. Legal System 374
- Appendix C** Your Business Plan 384
- Appendix D** Careers in Business and the Employment Search 386
- References R-1
- Glossary G-1
- Company/Brand/Organization Index I-1
- Subject Index I-5