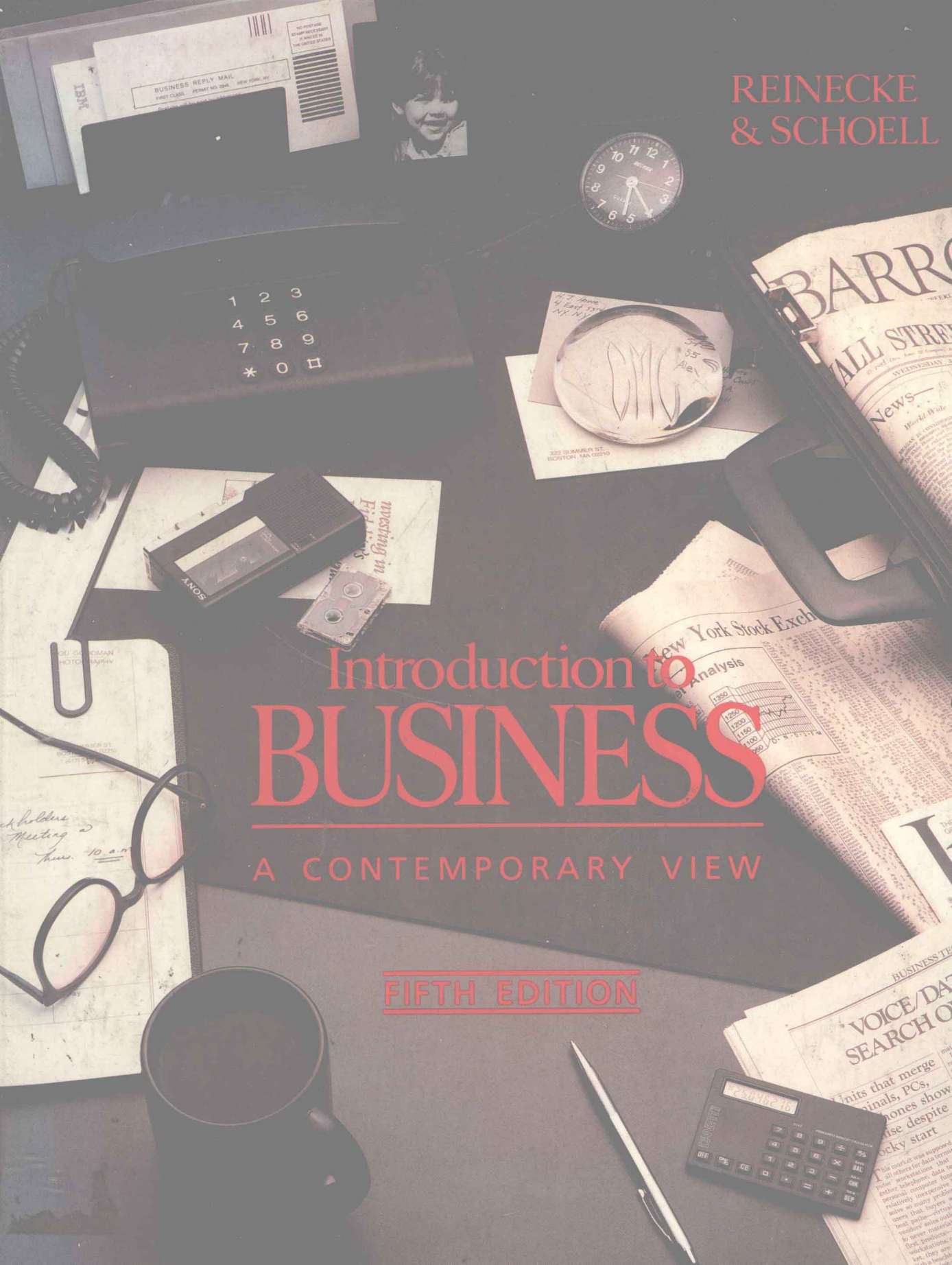


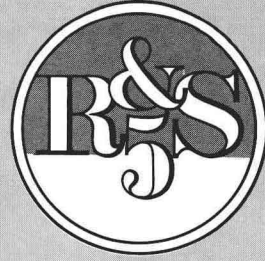
REINECKE
& SCHOELL



Introduction to BUSINESS

A CONTEMPORARY VIEW

FIFTH EDITION



F I F T H E D I T I O N

Introduction to Business

A Contemporary View

John A. Reinecke

University of New Orleans

William F. Schoell

University of Southern Mississippi

with the assistance of

Michele Burns University of New Orleans

Freda Zuzan University of New Orleans

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CHAPTER 1

¹Bill Saporito, "Black & Decker's Gamble on 'Globalization,'" *Fortune*, May 14, 1984, pp. 40–48. © 1984 Time Inc. All rights reserved.

²Anne B. Fisher, "Can Detroit Live Without Quotas?" *Fortune*, June 25, 1984, pp. 20–21.

³Irving D. Canton, "Learning to Love the Service Economy," *Harvard Business Review*, May–June, 1984, p. 90.

⁴American Can Company, *Annual Report*, 1983, pp. 18, 20.

⁵Steven Flax, "How to Snoop on Your Competitors," *Fortune*, May 14, 1984, pp. 28–33.

⁶Alan L. Otten, "States Begin to Protect Employees Who Blow Whistle on Their Firms," *The Wall Street Journal*, Dec. 31, 1984, p. 11. Reprinted by permission of The Wall Street Journal, © Dow Jones & Company, Inc., 1984. All rights reserved.

⁷Cathy Trost, "Prudential, U.S. Agree on Plan for Minorities," *The Wall Street Journal*, Aug. 22, 1984, p. 3.

(continued on page 665)

Preface

We have taught business courses at all levels, including the introduction to business course, for many years. We have also had the opportunity to talk to many instructors of the introductory course throughout the process of writing these five editions. The current edition contains many ideas contributed by instructors like yourself from all over the country.

Your concern for effective teaching has guided us in producing what we believe to be a very effective teaching tool. We realize that beginning students today vary widely in terms of their exposure to basic business concepts. The challenge to both text writers and instructors is great. We know that with your encouragement, students will respond positively to the exciting ideas this course contains.

Some of the things that make the fifth edition an effective teaching tool are:

- A clear, interesting writing style
- A reading level that is appropriate for students taking their first course in business
- A clear, comprehensive treatment of the American economic system
- An emphasis on business terminology
- Concepts illustrated with lots of real-world examples
- Controversial issues to encourage students to think and get involved
- Decision boxes, discussion questions, and short cases to give students practice in making business decisions
- Longer cases at the end of sections to help students tie material together

- Chapter summaries to reenforce learning
- Small business perspectives at frequent intervals throughout the text
- Down-to-earth treatment of career opportunities, including job search techniques

We could not have added these features without a great deal of help from many Introduction to Business instructors. We owe deep gratitude to those instructors who have reviewed our text, starting with the first edition published in 1974. For help with the fifth edition, we would specifically like to thank:

Dennis G. Allen

Grand Rapids Junior College

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Southwestern Michigan College

Larry Waldorf
Boise State University

Philip A. Weatherford
Embry-Riddle Aeronautical University

Ralph Wilcox
Kirkwood Community College

Jonnie Williams
Grand Rapids Junior College

Reading Level

Our writing has been tested repeatedly to ensure that it is at the appropriate level for beginning students. We have kept our sentences at a reasonable length and avoided jargon and unnecessarily complex terms.

Business Terminology

The most important concepts are listed at the beginning of each chapter. Each is defined in boldface type in the text and appears in color in the margin to help students learn and review. Real-world examples of these concepts frequently follow the definition. A glossary is provided at the end of the text with page references so that students can quickly refer to each key concept in the context of the chapter discussion. The glossary includes many important terms in addition to the key concepts themselves.

Real-World Examples

To demonstrate the real world nature of the course, actual examples are included throughout the text. These examples come from a wide range of businesses and even from nonprofit organizations. Each chapter begins with an up-to-date vignette that focuses on one or more of the topics discussed in the chapter.

Reproductions of real advertisements help to illustrate and dramatize major business concepts and practices. Each is referred to and integrated with the chapter discussion. Two cases, taken from actual situations and all new to this edition, appear at the end of each chapter. Longer case studies appear at the end of each section. Some of the examples you will find discussed are:

- Cigna's Day-Care Center
- Beatrice Avoids a Takeover
- IBM Markets Personal Computers
- Alamo Rent A Car Inc.

Student Involvement

The list of learning objectives at the beginning of each chapter tells students what to expect and what they should be able to ac-

comply after reading each chapter. The objectives also provide a convenient way to check up on how well the material in each chapter has been learned. The questions in the Test Bank are keyed to these learning objectives.

To further involve students as they read this text, we have included three types of boxed inserts.

Point of View

These boxes present two points of view on a given issue. They demonstrate that there are often different ways of looking at business issues. They also encourage students to formulate their own points of view on the issues. Examples include:

- American Can Company's View of Corporate Public Responsibility
- Industrial Policy for the United States
- Greenmail
- The Usefulness of Quality Circles in U.S. Corporations

What Do You Think?

These boxes present a problem or describe a situation. They end with a question for students to answer. These boxes give students an opportunity to use their analytical and creative skills in answering the questions. Examples include:

- Are Employee-Owned Companies a Fluke?
- Can Small Businesses Be "Hatched"?
- Do Sufco's Workers Need a Union?
- What Makes a Bank a Bank?

Decisions

These boxes describe a situation, present a problem, or depict a business opportunity. At the end of each box is a series of questions for students to answer. Examples include:

- Taking a Corporation Private
- Strategic Success for Yvonne LaFleur
- Departmentation Changes at Bethlehem Steel
- The DuPont Corporation and Handicapped Employment

An Emphasis on Small Business

The 1980s has become the decade of small business and the entrepreneur. The vast majority of new jobs are in small business. Many of our most exciting and dynamic firms started out in basements and garages. Because of this, we have increased our coverage of small business. Sole proprietorships and partnerships are covered in Chapter 3. Chapter 4 concentrates exclusively on small business and provides detailed treatment of what is involved in starting and running a small business. Throughout the text the student will find expanded coverage of small business in boxed inserts and cases. Examples include:

- Entrepreneurial Loneliness and Stress
- Attending Venture-Capital Fairs
- The Frozen Yogurt War
- Small Business and the Big Eight

Opportunities in Business

At the end of each section, students will find practical information to help them match their own interests and abilities with different job opportunities. They will learn about the skills and activities required in many different types of jobs. They will also learn about salary ranges and future prospects for a variety of careers. Chapter 21 will provide them with the skills needed to study the job market in specific industries, to write résumés, and to prepare for interviews.

Major Organizational Changes in the Fifth Edition

This edition incorporates many changes that were suggested by professors and students who used the previous four editions. It also reflects many changes that were suggested by reviewers throughout the revision process.

New Chapters

Chapters 1, 2, 18, and 21 are essentially new chapters. Chapter 1 introduces the business firm and the environment within which it exists. The major focus is on the more significant challenges that the environment presents to business decision makers. The point

is also made that nonbusiness organizations and their managers confront many of these same environmental challenges.

Chapter 2 draws from the material in the fourth edition's Chapters 1 and 2. It also includes new material. The chapter presents an overview of what an economic system is and a comparison of communist, capitalist, and socialist systems. The appendix to the chapter explains how prices are determined in a market economy.

Chapter 18 focuses exclusively on risk management and insurance. It provides a significant number of new examples and enlarges the discussion of coinsurance. The growing importance of this topic justifies the creation of a separate chapter instead of including it with other financial topics.

In Chapter 21 a whole new approach is taken to the question of careers in business. The chapter title, "Career Planning and Job Hunting: Making a Successful Transition from College to Career," suggests the new contents. The emphasis is on the entire perspective of career planning and on specific steps to job search success. This presentation benefits from the contributions of a university placement director with years of professional experience.

Repositioned Chapters

Small business is now covered in Chapter 4, rather than in Chapter 17 as in the fourth edition. The repositioning reflects the renewed and growing interest in small business and entrepreneurship in the United States. The fifth edition's coverage also provides more actual examples of what is involved in starting and running a small business.

Revised Chapters

Each of the other chapters in the fourth edition was revised and updated. For example, Chapter 13 has been reorganized in a more logical sequence, building upon the basic accounting equation. More emphasis is placed on the annual report and less detailed treatment of credit ratios is given. In Chapter 14, greater emphasis is given to management information systems, data base management, and

word processing. There is an updated discussion of software for the personal computer.

In Chapter 15 the rapidly changing world of financial institutions is brought up to date, including information on the assumption of new functions by many of the institutions. Chapter 16 treats both long- and short-term financial management, presenting the flow of working capital in a clearer, more meaningful way. Broader treatment of mergers, takeovers, and leveraged buyouts is provided. Chapter 17 is devoted entirely to the securities market. Discussion of securities regulation has been more logically placed and a wider discussion of financial futures is provided.

Government and business has also been reorganized in Chapter 19, providing fuller coverage of the deregulation movement and generally broader coverage of business law concepts. The latter include torts and more detail regarding the law of contracts.

Acknowledgments

We owe special thanks to our production administrator, Elaine Ober, and to our series editor, Jack Peters, for their dedicated efforts toward helping us to meet our goal of making this edition a significant improvement over the Fourth Edition. We also want to thank Barbara Willette, our production coordinator, and Diana Gibney, our copy editor. Special thanks also to Thomas Pritchett, Robert Lussier, John Bowdidge, Gayle Dyhrkopp, Patricia Corcoran, and Elizabeth Flynn for the excellent work on the various supplements that accompany the text, and to Marjorie Pearlman, our supplements coordinator.

Thanks also to Joan Lamare, who helped with computer materials, D. Sue McConnell, who provided assistance in the coverage of small business, Judith Gimple, who secured permissions, Betty Pritchett, who prepared the index, and Glenna Collett, who designed the text. We are also indebted to Sandi Kirshner, marketing director at Allyn and Bacon, Inc. Finally, we want to thank our families for bearing with us, and encouraging us, throughout the revision process.

To the Student

Introduction to Business: A Contemporary View, Fifth Edition, has been written with you in mind. We think you'll find it an up-to-date, practical, and exciting text. It reads smoothly and is comprehensive enough to give you a good overall view of the nature of business and the career opportunities it offers.

Take time to read the introductory materials in each chapter. They are designed to help you to do a more effective job of studying. The boxed material will help to get you involved in the book—to respond to questions, to see a situation from a different point of view, and to do a little looking into the future. You will also have many opportunities to put yourself in the shoes of a decision maker at companies that are familiar to you. Read and think about the questions raised in the cases at the end of the chapters.

The Study Guide for *Introduction to Business*, written by John S. Bowdidge of Southwest Missouri State University and Robert N. Lussier of Springfield College, can help you master the material in this book. It includes a chapter overview, business vocabulary test, chapter objective questions, and self-test for each chapter in the textbook, along with the answers to these exercises. The Study Guide also features objective questions and applications situations for each chapter. In addition, there are study tips, and several experiential exercises that will help you learn about contract negotiations, interviewing skills, advertising, business decision-making, and more. You can use the Study Guide to review the business basics presented in this textbook and to prepare for exams. If your college bookstore does not have the Study Guide for *Introduction to Business*, be sure to ask the store manager to order it for you.

Most important, try to derive the maximum benefit from your first course in business by becoming familiar with the language of business and the challenges business offers. This course lays the foundation upon which your other business courses will build. Make the commitment to do your best in the course and keep up with developments in the business world. You will become an important part of that world in the not too distant future. Good luck in the course and in your future in business!

John A. Reinecke
William F. Schoell



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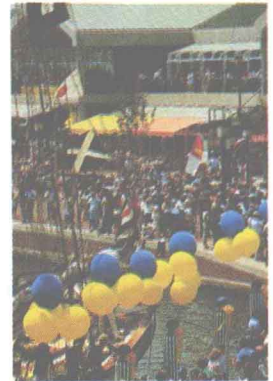
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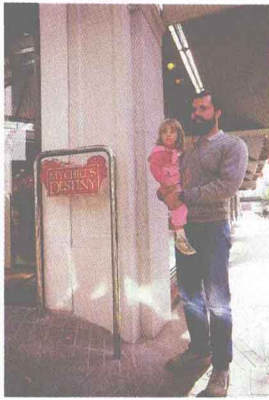
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