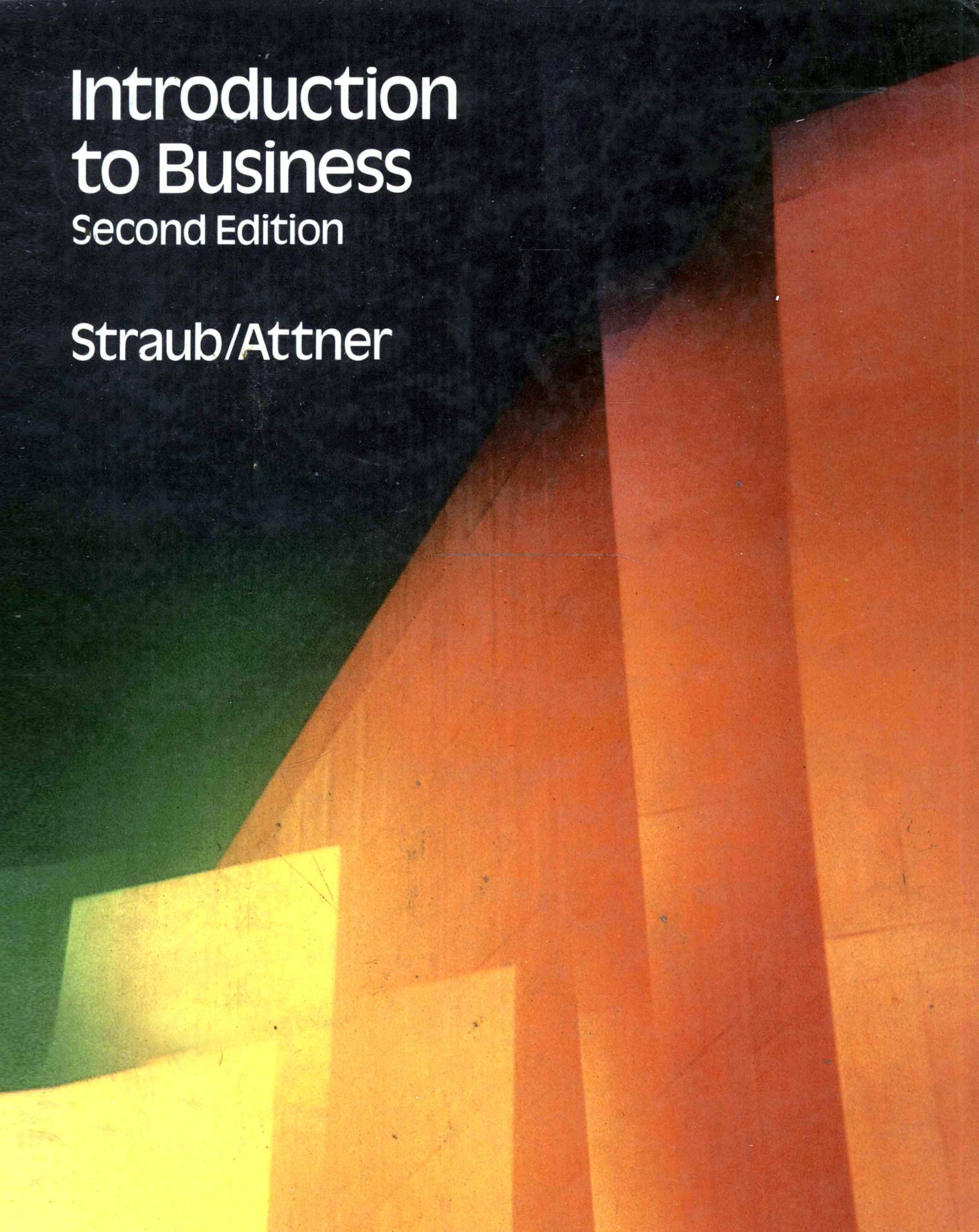


Introduction to Business

Second Edition

Straub/Attner



Introduction to Business

Second Edition

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Valencia Community College

Raymond F. Attner
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Kent Publishing Company
Boston, Massachusetts

A Division of Wadsworth, Inc.

**To Pat and Stacey (J.S.)
and
Donnelle — my support, my partner, my faith (R.A.)**

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Printed in the United States of America

3 4 5 6 7 8 9 — 89 88 87

Library of Congress Cataloging in Publication Data

Straub, Joseph T.

Introduction to business.

Includes bibliographies and indexes.

1. Industrial management. 2. Business. I. Attner, Raymond F. II. Title.

HD31.S6965 1985 658 84-20115

ISBN 0-534-04173-6

Preface

Basic Intent

This edition of *Introduction to Business* welcomes Professor Raymond F. Attner as co-author. Professor Attner's background and expertise complement and enhance the basic intent of the first edition, and that intent is reaffirmed here: we feel that *Introduction to Business* fills an obvious need for a text that is written by authors who teach the course as the mainstay of their careers. We enjoy an intimate and perceptive relationship with the course and with our students, and that relationship is reflected in the superior quality of our text.

Colleagues agree that the introductory business course is a cornerstone of many college programs. Accordingly, the text that is adopted for that course will have to meet the needs and expectations of students and professors alike. This edition of *Introduction to Business* meets the challenge surpassingly well.

By placing business in perspective and surveying the topic in a contemporary and thorough fashion, our text gives students a solid foundation in the introduction to business course and equips them for future success in advanced business courses. We realize, of course, that non-business majors may take the introductory business course as an elective. These students will benefit from our comprehensive coverage of a subject that affects every aspect of their daily lives, no matter what their present or future career interests. Our text will prepare all students to make more astute consumer decisions and to appreciate the profound role that business plays in today's society.

Organization

Our decisions on part and chapter sequencing were based on an extensive market survey of professors who teach the introduction to business course. The organization that we have selected reflects their consensus.

Part One, *The Business Setting*, guides students into the course by examining the role of business in our economy, and by exploring the features and characteristics of unincorporated business and of corporations. Unlike competitors, we acknowledge the complexity and popularity of corporations in today's business world by devoting an entire chapter to that form of organization.

Part Two, *The Human Side of Business*, discusses the importance of and need for management, the functions managers perform, the roles played, and the skills necessary to manage. It then addresses the processes and concepts involved, and alternative designs that managers utilize to create organizations. Following this, we explore the principles and processes involved in planning for, recruiting, selecting, orienting, training, appraising, and compensating their organizations' human resources. This leads to a chapter on the importance of and approaches to working with human resources by building an organizational climate, creating the opportunity for motivation, and providing leadership. Part Two ends with a chapter on labor relations, including exceptional coverage of the principles and objectives of unions, labor history and legislation, the reasons employees join unions, labor and management tactics, the collective bargaining process, the grievance procedure, and a discussion on mediation and arbitration.

Part Three, *Production and Marketing Activities*, examines and illustrates current production principles and techniques, and then investigates marketing principles and the elements of product, promotion, distribution, and pricing strategies. You will discover that our coverage of these important areas is thorough, logical, up-to-date, and exceptionally illustrated with examples from many well-known companies.

Part Four, *Finance and Information Systems*, contains chapters on money and financial institutions, finance, risk and insurance, gath-

ering and processing data, and accounting. Our accounting chapter is purposely preceded by one on gathering and processing data so that students will better appreciate the widespread impact of computers on business operations and on the life-styles of individuals who own, or who plan to purchase, a personal computer. And we cover the subject of accounting in a fashion that introductory students can readily understand without oversimplifying or distorting this complex but essential topic.

In Part Five, Special Challenges and Issues, we investigate the topics of small business and franchising, multinational business, legal concerns, and the social and ethical environment. Our quarter-century's worth of classroom teaching experience and our market survey data convinced us to reserve small business and franchising until this point in the text. By prefacing that discussion with chapters on forms of business organization, human relations, production, marketing, finance, and information systems, our book truly prepares students to comprehend and appreciate the concerns of small-business owners or franchisees more effectively than any competitor.

Pedagogical Devices

As dedicated classroom teachers, we devoted a great deal of time and effort to create pedagogical devices that will help students maximize their learning experience with our text. The array we offer is second to none.

Chapter Outline

Each chapter opens with a topical outline of the areas that will be covered. This provides students with a general framework for upcoming discussion.

Chapter Objectives

These establish the learning benchmarks by which students' success will be measured. Organized according to discussion sequence within each chapter, they clarify what the student must do to master the material presented.

Opening Quotation

Each chapter opens with a quotation: an ice-breaker related to one or more concepts that are addressed in the chapter. It's an upbeat way to begin each new area of study.

Up Front

This is a personality profile featuring an individual who has constructed a career based on concepts discussed in the chapter in which it appears. We selected our Up Front personalities based on their degree of success in a chapter-related area. They are positive role models for students of all ages. In addition, our Up Fronts personalize the chapter and give it a real-world orientation and a humanness. The persons we have chosen constitute an age, sex, and ethnic mix to which all students can relate.

Nearly all the Up Fronts in this edition are new. A few, including Nolan K. Bushnell and Lee A. Iacocca, were judged to be fully relevant to this edition and so were preserved and updated to reflect changes in the dynamic careers of the individuals involved.

Pause and Ponder

These features, which appear at strategic points twice in each chapter, pose thought-provoking questions that students may answer by referring to material just read and/or personal experience. They encourage introspection and reflection while providing a necessary study break.

The Straight Line

This element complements the chapter's Up Front with a profile of a company or group whose operations are linked with chapter concepts or principles. Like the Up Fronts, The Straight Lines give the text real-world orientation and credibility — students can see how the material they study is actually applied or how it affects the operations of an identified business firm. And nearly all The Straight Line features are new to this edition.

Summary

Each chapter closes with a narrative summary of salient topics. Students may use the summary for a general review and for placing the material in perspective after studying the chapter in depth.

Key Terms

These are listed after each summary so students may review the entire chapter's terms in one spot. Terms are alphabetized in each list.

For Review and Discussion

We provide an exceptionally generous amount of review and discussion activities that require students to apply chapter principles, and to study and comprehend the vocabulary and concepts that the chapter presents. Our review and discussion activities are coordinated, of course, with the objectives at the beginning of the chapter. Mastery of the review and discussion items ensures that students will accomplish the chapter objectives.

Applications (Cases)

This edition features two new cases in each chapter. Our cases and the accompanying discussion questions also encourage students to explore, reflect on, and apply their learning to business situations. Many cases are based on the experience of identified business firms. References are provided where appropriate. Our cases, like the Up Fronts and The Straight Lines, blend theory with practice. They are excellent devices for generating classroom discussion and independent thought.

Careers

Students are eager to learn how companies prepare them for careers in certain business areas. To meet that expectation, we provide Career Capsules at the ends of Parts Two, Three, and Four. These describe the qualifications, training, advancement opportunities, and career paths

that large employers such as Levi Strauss, Caterpillar Tractor, Atlantic Richfield, and General Foods offer qualified individuals. The Career Capsules expand our text's real-world orientation by giving students a glimpse into career opportunities and challenges offered by companies whose names are household words.

Our exploration of careers would not be complete, of course, without a formal discussion of career planning and job searches. We address those subjects specifically in Appendix A, The Business of Getting a Job. There we examine in detail how to choose a career (including selection of a major in college), prepare a résumé, locate job openings, and deal with company recruiting activities (including successful interviewing and job offer evaluation). This outstanding feature of our text may be incorporated into your classroom discussion or reading assignments whenever you feel it is appropriate.

Terminology

Command of business vocabulary is an integral goal of any introduction to business course, and our text ensures that this will be achieved through several techniques. Each term is printed in boldface and defined in italics where it first appears. It is also printed in color in the margin to draw students' attention to it during chapter review. As mentioned previously, key chapter terms are conveniently grouped at the end of each chapter. Finally, every key term in the text is repeated, along with its text definition, in a comprehensive glossary at the end of the book. Our reviewers confirm that no other introduction to business text goes to such lengths to help students gain a firm command of the language of business.

Treatment of Small Business and Franchising

We mentioned earlier, and we believe it's worth repeating, that we lead students into small business and franchising more logically and effectively than competing texts do. The first four parts of our text examine areas that are pre-

requisites to understanding such a topic: legal forms of organization, personnel, management, motivation, labor relations, production, marketing, finance, risk management, data processing, and accounting. *After* students have studied those areas, we introduce them to small business and franchising. We are convinced (and our reviewers have confirmed) that this is the most academically sound way to organize an introductory text. To place the small business and franchising chapter before a discussion of essential business topics does students a grave injustice. We successfully avoid that oversight and your students will benefit accordingly.

Graphics

Our array of graphics — more effective and impressive than any competing text's — was designed for maximum educational benefit. Significant chapter information and relationships are captured visually through the dramatic use of a second accent color combined with highly informative tables and figures throughout each chapter. These give our book exceptional visual appeal and enhance the impact of the multitude of pedagogical devices mentioned earlier.

A Commitment to Credibility

We further distinguish ourselves from competitors through our commitment to credibility. That simply means that this book was researched and written *entirely* by us. No chapters or pedagogical items were ghostwritten by colleagues, student assistants, or others whose labor we claim as our own. Our "total immersion" approach, although demanding intense labor and time, has resulted in a text with integrity. By being fully responsible for and intimately knowledgeable about our book's contents, we were able to refer students ahead to upcoming discussion (or back to previous material) at strategic points. We thus unite the book's contents so students understand how various subjects relate to one another in the operation of a functioning business.

Supplemental Items

We realize that many professors place great value on the supplemental items that accompany a text. Our commitment to excellence is obvious here, too. With the help of our publisher, who conducted a market study to determine what the essential components of the supplemental package should be, we provide the following items.

Student Study Guide

Co-authored by Nancy Carr of the Community College of Philadelphia and James McHugh of St. Louis Community College at Forest Park, this self-paced learning aid contains questions in several formats that promote thorough vocabulary mastery and command of chapter concepts.

Instructor's Manual

As career instructors of the introduction to business course, we have prepared a most valuable, efficient, and practical instructor's manual. It contains:

- Detailed lecture outlines for each chapter, including enrichment vignettes
- Suggested course outlines for 7- and 14-week courses
- Several hundred 16mm films available from 33 sources and coordinated with text chapters
- Suggested business periodicals for library reference
- Sources of guest speakers and tips on how to select a subject and a speaker, prepare for the visit, and follow up after the speaker's appearance. We also include a section on teleconferencing, a way in which key business executives may interact with your students through conference calls.
- Course building activities that will help you gather material to supplement and enhance classroom discussion. This section also contains a mailing list to request material from *Fortune's* top 200 companies, ranked according to 1983 sales and 26 of the nation's leading franchise firms.

- Answers to all the questions and case problems contained in the Study Guide.

One Hundred Acetate Transparencies

These are keyed to the text chapters, but they contain new information not provided in the book. They may be used in conjunction with our detailed lecture outlines to illustrate various chapter concepts, promote class discussion, and supplement your personal file of transparencies.

Test Bank

A comprehensive test bank containing over 2000 questions is provided to adopters of *Introduction to Business*, Second Edition. The test bank, which follows a chapter-by-chapter format, is structured according to chapter objectives. There is a balance between true/false and multiple choice questions.

New in This Edition

We are indebted to Kent's Review Board reviewers, who are acknowledged on page xi, for input that resulted in numerous changes and additions. We want potential adopters to know that this edition of *Introduction to Business* is the product of a thorough and meticulous revision and that it required many hours of research and writing. Statistics and references have been updated in chapter body discussion, charts, and tables — from cover to cover. On a chapter-by-chapter basis, some of the most outstanding changes are:

Chapter 1 The Role of Business in Our Economic Setting

- A new section on the characteristics of private enterprise
- A new section on the history of American business

Chapter 2 The Unincorporated Business

- A new section on the rights and obligations of partners under the Uniform Partnership Act
- An expanded discussion on partnerships

Chapter 3 The Modern Corporation

- An updated discussion of S corporations (formerly titled Subchapter S corporations) that includes the effects of the Subchapter S Revision Act
- The breakup of AT&T (summarized in The Straight Line)

Chapter 4 Managing Business Organizations

- A new section providing a thorough explanation of each level of management's responsibility for the performance of the management functions — the universality of management
- A new section explaining the importance of management roles and providing examples of managerial roles

Chapter 5 Creating an Organization

- A new section discussing the step-by-step process for organizing
- An expanded discussion on delegation, including the relationship of delegation, authority, responsibility, and accountability

Chapter 6 Personnel: Acquiring and Developing Human Resources

- A new section on the legal-environment of human resources management
- An expanded discussion on the selection process including specific dos and don'ts

Chapter 7 Managing People: Motivation and Leadership

- A new section discussing the importance of developing a positive work environment to increase motivation
- A new section establishing Theory X and Theory Y as the basis for a manager's motivation and leadership approaches

Chapter 8 Labor Relations

- A new section discussing the principles and objectives of unionism
- A new section discussing the goals and directions of unions

Chapter 9 Producing the Product

- A new section discussing the use of robots on production lines

- Discussion of the Japanese inventory management technique, *kanban*, in a chapter-end case

Chapter 10 Marketing and Product Strategy

- A new section on the process of marketing
- A new section discussing the components of product strategy

Chapter 11 Marketing Promotional Strategy

- A new section discussing the roles and importance of promotional strategy
- A new section providing an explanation of the communication process utilized by promotion

Chapter 12 Distribution and Pricing Strategy

- A new section discussing the importance of distribution strategy
- A new section discussing the importance of pricing strategy and pricing objectives

Chapter 13 Money and Financial Institutions

- An expanded discussion of the Consumer Price Index, including the CPI-U and the CPI-W
- A new section discussing the trend toward interstate banking

Chapter 14 Financing for Profits

- Discussion of the impact of the 1982 Tax Equity and Fiscal Responsibility Act on bond formats
- New information on adjustable rate or “floating rate” preferred stock and “zero coupon” bonds

Chapter 15 Risk and Insurance

- Additional information on how companies may avoid risks and an expanded discussion on the practice of self-insurance
- New section on criteria required for an insurable risk
- New material on no-fault auto insurance, universal life insurance, and hazardous waste insurance required by the Environmental Protection Agency

Chapter 16 Gathering and Processing Data

- Expanded discussion of a management information system
- New section on the popularity and uses of personal computers

Chapter 17 Accounting for Profits

- New section discussing the various groups that use accounting data
- New discussion of the CPA’s responsibility to maintain “professional skepticism” regarding possible fraud

Chapter 18 The Small Business and Franchising

- Expanded discussion of venture capital firms
- Expanded discussion of franchising

Chapter 19 Multinational Business

- A new section discussing why businesses go international
- A new section discussing barriers to international trade

Chapter 20 Business Law and the Legal Environment of Business

- New discussion of secrecy as an alternative to patenting
- New material on governmental response to regulation, including discussion of the work of the Private Sector Survey on Cost Control

Chapter 21 The Social and Ethical Environment of Business

- A new section on the evolution of social responsibility
- A new section discussing the need to implement social responsibility and the social audit

Appendix A The Business of Getting a Job

- New section on networking as a method of obtaining job interviews

Appendix B The Stock Market and Personal Investing

- Added remarks about the insurance bro-

kerage firms must carry against loss or theft of stocks carried in street name

- Added material on *scripophiliasts* (persons who collect unusual securities certificates)

... And Gratitude to Our Publisher's Editorial Staff

Reviewers provided valuable advice on our textbook's content, but it was our publisher's editorial staff that converted the finished manuscript into reality — the bound book that you're holding now. We are profoundly grateful to our editorial partners in this effort.

Dick Crews, our acquisitions editor, contributed market knowledge, hearty encouragement, diplomacy, patience, foresight, and enthusiasm for new ideas that buoyed our spirits throughout the project. He helped make a very long task a very pleasant one.

We also wish to thank the public-spirited, education-oriented businesses and other organizations that contributed to this book so generously. The illustrative materials they allowed us to use bring many chapter concepts to life—yet another factor that makes this book exceptional.

Finally, we wish to express our appreciation and love to our families for their consistent encouragement and vital support.

Joseph T. Straub
Raymond F. Attner

A Salute to the Kent Review Board

Although this text is a product of our authors' own research and writing, the work was reviewed extensively by a select number of highly qualified professors teaching introduction to business courses. Our Review Board made suggestions on chapter content, topical sequence, pedagogy, and graphics, which helped the new edition to be the most effective teaching and learning

package possible. I acknowledge with gratitude the help, advice, and support of the following professionals, whose involvement with this new edition has greatly enhanced the final product.

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