

BUSINESS



LUTHANS · HODGETTS

BUSINESS

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The Dryden Press

Chicago New York San Francisco
Philadelphia Montreal Toronto
London Sydney Tokyo

To the memory of our fathers, Carl H. Luthans and Harold T. Hodgetts, who taught us the fundamentals and spirit of business.

Acquisitions Editor: Mary Fischer
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Text and Cover Designer: Stuart Paterson
Copy Editor: Joanne Fraser
Photo Research: Karen Schenkenfelder
Indexer: Sheila Ary
Compositor: The Clarinda Company
Text Type: 10 point ITC Baskerville

Library of Congress Cataloging-in-Publication Data

Luthans, Fred.

Business / Fred Luthans, Richard M. Hodgetts.

p. cm.

Bibliography: p.

Includes indexes.

ISBN 0-03-008949-2

1. Industrial management—United States. 2. Business enterprises—

United States. I. Hodgetts, Richard M. II. Title.

HD70.U5L88 1989

658—dc 19

88-5418

CIP

Printed in the United States of America

890-039-987654321

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Rinehart and Winston, Inc.

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Address orders:
The Dryden Press
Orlando, FL 32887

Address editorial correspondence:
The Dryden Press
908 N. Elm Street
Hinsdale, IL 60521

The Dryden Press
Holt, Rinehart and Winston
Saunders College Publishing

About the Cover: Painting by Jerry Rudquist from the collection of Phil Snyder. 84" × 84", Acrylic on canvas, 1987.



Preface

What an exciting time to study business! Consider some major events in recent years.

- The stock market crash of October 1987 sent stock prices reeling and had investors and brokers nervously watching day-to-day stock averages following patterns similar to those after the Crash of 1929.
- The value of the dollar sank to new lows against the German mark and Japanese yen, yet monthly trade deficits reached all-time highs as foreign goods and investments continued to flood into the United States.
- Large firms attempted to become competitive in the global economy by cutting staffs, streamlining structures, and developing intrapreneurial cultures, while small, entrepreneurial businesses continued to hire and to take market share away from the giants.
- Large computer firms introduced new, more powerful microcomputers in an effort to recapture lost market share, but “clones” still offered a more competitive price and high quality.
- The Securities and Exchange Commission investigated stock trading and arrested brokers who had used insider information to make personal fortunes. At the same time, more and more business education programs around the country began introducing business ethics into their curriculums.

These and many other exciting and often alarming events that are happening around us every day signal that the 1990s will not be business as usual. The old standby texts no longer sufficiently cover the dynamically changing world of business.

Business marks the beginning of a new generation in the introductory study of business. The time-tested basic functions of management, marketing, and finance, and their more specialized subfunctions, are given thorough treatment. But unlike previous introduction to business texts, *Business* incorporates themes important to the contemporary business scene.

Change itself is one important focus. The world of business is in a state of flux. Well-known consultant and writer Tom Peters has characterized the modern American business scene as “chaotic” and a “world turned upside down.” Yesterday’s winners are often today’s has-beens, and today’s winners may find it impossible to survive in tomorrow’s environment. Much of this change comes from technological advancement and the global marketplace. The 1990s will be an era of unparalleled

technological and international competitiveness. Only companies and individuals who understand and are able to adapt to such changes will grow or even survive.

A second major focus of the text is on the ethical and social responsibilities of business. Discrimination in employment, pollution of the environment, and insider trading are in violation of the law and cannot be tolerated. Business firms and individuals must operate within the letter and spirit of the law. At the same time, they must fulfill their obligations to stakeholders: quality, safe, and reasonably priced goods and services to customers; good wages/salaries and quality work life for employees; and profits for the owners. These responsibilities to owners, employees, and customers go hand in hand.

Another focus of *Business* is on the important roles of small business, entrepreneurs, and intrapreneurs. Small businesses with fewer than 1,000 employees provide about two-thirds of all new jobs. Every indication is that their influence in revitalizing U.S. business will be great. Entrepreneurs continually commit their talents and fortunes to the creation of new businesses. Well-known examples include Sam Walton of Wal-Mart, Steve Jobs of Apple (and now Next, Inc.), Ben Cohen and Jerry Winfield of Ben & Jerry's Ice Cream, and Debbi Fields of Mrs. Field's Cookies. In recent years, large firms have found it difficult to compete with small business on many fronts. In particular, many small businesses have a more clear understanding of their market and a willingness to work longer and harder to move the company ahead. In an effort to take advantage of the small-business approach and the entrepreneurial spirit, many large businesses today are putting a strong emphasis on creating a climate of intrapreneurship, encouraging managers and staff experts to create and control new, usually risky projects within the existing business. Simply put, an increasing number of large firms are attempting to divide themselves into a host of smaller firms to become more effective and competitive.

The most dominant theme of this text is that the 1990s will not be business as usual. We can expect certain changes, such as the introduction of computers at all levels of the organization and the elimination of smoking on the job, but there will also be changes in fundamental philosophies and strategies. It is becoming increasingly clear that some of the key factors for success during the upcoming decade will be product and service quality, price competitiveness, new product development, state-of-the-art technology, satisfied and productive human resources, an entrepreneurial/intrapreneurial spirit, high ethical standards and socially responsible management, and a clear understanding of the international arena. The overriding purpose of this book is to introduce students to these new developments and explain why and how business can best address them.

Pedagogy

To help convey the new developments as well as the fundamental concepts and principles of business, we have incorporated a number of pedagogical techniques. These features are designed to engage students with the material and help them master the wide array of concepts and vocabulary they encounter.

Learning Objectives Each chapter begins with a series of objectives that cover the key points of the chapter. The objectives are then reviewed in the chapter summary titled “Learning Objectives Revisited.”

Your Business IQ Each chapter begins with a short quiz related to the upcoming material. These quizzes will give students a sense of how much they currently know about this material and a brief introduction to some of the topics that will be covered in the chapter. After reading the chapter, they can retake the quiz to ensure that they are now able to correctly answer the questions. Answers to “Your Business IQ” are provided at the end of the chapter.

Checkpoints Designed for active learning, the Checkpoints consist of two review questions at the end of each major section of the chapter so students can continually check their progress. The Checkpoints can also be used to study the chapter material and review important concepts and topics.

Cases There are two cases at the end of each chapter. The first is drawn from actual situations and gives students the opportunity to apply chapter concepts to the real world. The second is a case titled “You Be the Adviser.” This latter case has the student assume the role of a consultant in helping a business firm deal with a particular issue or solve a problem by applying ideas presented in the chapter.

Key Terms Every chapter contains a four-way glossary to help identify and define key terms. Each key term is defined in the sentence and margin where it first appears as well as in a glossary at the end of the book. Additionally, the term is listed at the end of the chapter in the Key Terms Reviewed section.

Close-Ups We believe that examples from real companies and recent business events should be interwoven throughout the text rather than inserted arbitrarily in the chapters. Consequently, the student will find hundreds of examples right in the main body of the text. Each chapter also contains two or three more extensive, boxed examples applicable to the discussion at hand—whether about management, marketing, accounting, computers, finance, or law. Each example is referenced in the text so the student will know when to read it. The Close-Up categories we use are Entrepreneurs, Small Business, International, Technology, Computer Technology, Social Responsibility, Ethics, Business Communication, and Competitiveness.

Review Questions and Applied Exercises The Review Questions go beyond basic recall to ask students to apply the chapter to real-world situations. The Applied Exercises give ideas for pursuing concepts in the chapter in business publications and local businesses.

Career Opportunities Each major part of the text ends with a Career Opportunities section. These sections identify careers in the areas discussed in that part of the book. For example, in Part III, which is devoted to managing people and operations, career opportunities in areas such as

public relations, production and operations, and personnel are examined. Career Opportunities describes the work responsibilities, identifies the current supply and future demand, and provides salary ranges for these positions.

Supplements

While developing this book, the most common complaint we heard about supplements to accompany introduction to business books is that the pieces are disparate elements only loosely related to the text. Our primary objective in developing the supplements for *Business* was to integrate each item with the text to make them as helpful as possible for you. Each item has been developed with the same care used in developing the text to ensure that it fully supports and enhances the material in the text. Here are just a few examples of this integration:

- First, to save you time, the *Ancillary Resource Guide* provides you with an overview of the entire package. Appropriate *Instructor's Manual* sections, transparencies, videos, and business papers are integrated into outlines of the chapters to show you at a glance the resources that are available for a particular topic.
- All of the written support material for classroom lectures, discussions, and exercises are organized by chapter in a single volume (the *Instructor's Manual*) rather than several.
- The questions in the *Test Bank* have been thoroughly checked by the authors for consistency with the text.
- The supplementary materials for the student—including a computer simulation and career guide—are all in one volume, the *Study Guide*.
- We have developed five professionally produced videos exclusively for this text to help bring to life topics that are typically difficult to convey in the classroom. Each video offered with the book is supported by complete teaching notes that tie the video to the text, highlighting chapter concepts covered in the video and providing discussion questions and class exercises.

These are only examples. Detailed descriptions of each supplement follow.

Ancillary Resource Guide

The *Ancillary Resource Guide* will probably be the place you will want to start as you acquaint yourself with the package. The guide gives you an overview of all of the material we have provided to support the text and then shows how each item can be used in your class. Supplemental items in the *Instructor's Manual*, transparency acetates and masters, videos, and business papers, are integrated into outlines of the chapters to show you at a glance what is available for each topic in the chapter. This guide confirms our commitment to integrate your resource materials and coordinate them with the text.

Instructor's Manual

Preface

In writing the *Instructor's Manual*, we have provided a variety of materials that will allow you to choose what is most appropriate for your class and for each topic. Each chapter of the manual includes the following features:

- Chapter overview

- All key terms in the chapter, with definitions

- Detailed lecture outline

- Supplemental lecture (Lectures for Chapter 12 through Appendix B were contributed by Richard Randall, Nassau Community College.)

- New examples, news items, and "war stories"

- Profile of a business leader

- Controversial issue for class discussion

- Supplemental cases with discussion questions and suggested answers

- Discussion topics and in-class exercises

- Out-of-class projects

- Term paper topics

- Guest lecturer suggestions

- Annotated supplemental readings

- Film and video suggestions

- Answers to end-of-chapter questions

- Analyses of end-of-chapter cases

Test Bank

An accurate test bank is critical for most professors teaching the introduction to business course. Each question has been reviewed and checked for accuracy and consistency with the text. The *Test Bank* includes approximately 3,000 true/false, multiple choice, and short answer questions, which are organized by chapter learning objective. The key for each question includes the answer, the text page reference, the cognitive type (factual or applied), and the learning goal number. Each chapter also includes two mini-cases with accompanying multiple choice questions. The *Test Bank* was written by Douglas Hibbert, Fayetteville Technical Institute; Jeffrey Mello, Northeastern University; and Philip Weatherford, Embry-Riddle Aeronautical University.

An annual update of the *Test Bank* with 1,000 new test questions will also be provided to adopters of *Business*.

Computerized Test Bank

In addition to the printed version, the *Test Bank* is available in a computerized format for use with IBM-PC and Apple II microcomputers. The computerized test banks contain the same questions appearing in the printed *Test Bank* and allow you to preview and edit the questions, add your own questions, and print multiple versions of test and answer keys.

Study Guide

The *Study Guide* consists of three parts: the study guide proper, a computer simulation game, and a career guide. The study guide section, written by Robert Cox of Salt Lake Community College, will help students master the vocabulary and concepts of the text and apply them to real-world situations. After completing the questions and exercises, students will be prepared for class discussions and examinations. The study guide includes the following sections for each chapter and appendix: learning objectives, chapter summary, key terms matching exercise, true/false questions, completion questions, multiple choice questions, mini-cases, short-answer questions, and answers to all questions. Each part ends with a crossword puzzle of the key concepts in the part.

The computer simulation game, written by Eugene Calvasina of Auburn University–Montgomery, puts students in the manager's seat of a small manufacturing company. The game asks them to make management, operations, marketing, and financial decisions for the company as they progress through the book.

The career guide section, written by Jeffrey Greenhaus of Drexel University introduces students to the basic issues of the career search and career management and provides them with exercises that will help them to actively think about the process. The guide includes sections on occupation choice, the job search, on-the-job issues, and sources of information.

Videos

In talking with introduction to business professors, we identified a need for assistance in presenting certain topics that are difficult to bring to life in the classroom. In response to this need, we have developed five videos exclusively for *Business: The Great American Dream* (focus on entrepreneurship), *A Plant Tour*, *A Tour of the Stock Market*, *Focus on International Business*, and *Close-Up: Wal-Mart Stores, Inc.* These professionally produced tapes, which are 15 to 20 minutes long, can be used either with the appropriate chapter or to introduce or conclude a part of the text. In addition, the text chapters are coordinated with 18 videotape segments from the award-winning “Enterprise” and “60 Minutes” series.

Video Instructor's Manual

The *Video Instructor's Manual*, written by Anthony Lucas of the Community College of Allegheny County and Gayle Marco of Robert Morris College, provides complete teaching notes that integrate each video with a chapter in the text and provide you with suggestions for using the videos. Each chapter includes a synopsis of the video, a list of the chapter concepts covered in the video, teaching objectives, “warm-up” and “recap” discussion questions, and in-class and out-of-class experiential activities.

Transparencies

The transparency package includes 150 full-color acetates of figures not found in the text and over 200 transparency masters of all figures and tables in the text, chapter outlines, and chapter quizzes. Both the ace-

tates and the masters are accompanied by detailed teaching notes that describe the figures and tables and draw out the key points students should note.

Stock Market Game

Developed by Leon Sterdjevich of Montgomery College, the *Stock Market Game* gives students hands-on experience in investing money wisely and provides them with a better understanding of the stock market. The eight- to ten-week game allows students to select and track four stocks on a week-by-week basis and create a profitable portfolio. The workbook includes an overview of stocks and the stock market, information on gathering and analyzing industry and company information, a list of references, and forms for logging in weekly data.

Business Papers

The set of *Business Papers*, prepared by Clyde Neff of South Plains College, contains an assortment of actual business forms and documents—including stock and bond certificates, a small business loan application, a balance sheet, and many others—and teaching notes for each.

Acknowledgments

This book has been developed with the invaluable help of dozens of professors who teach introduction to business. At each stage of development, market surveys, focus groups, and reviewers played a critical role in shaping the book. We would especially like to express our gratitude to the following professors:

Larry Bain

Weatherford College

John Balek

Morton College

John Beem

College of DuPage

Glennis Boyd

Cisco Junior College

Daniel Brady

Highland Community College

Gary Carlson

DeVry Institute of Technology

Helen Davis

Jefferson Community College

Lee Dlabay

Lake Forest College

Carol Ferguson

Rock Valley College

George Hager

College of DuPage

Doug Hibbert

Fayetteville Technical Institute

Garland Holt

Tarrant County Community College

Graham Irwin

Miami University

David Kelmar

Santa Monica College

David Lemak

U.S. Air Force Academy

John Lloyd

Monroe Community College

Paul Londrigan

C. S. Mott Community College

Don Manning

University of Northern Colorado

Jim McAnelly

Waubonsee Community College

Carnella Moore
Glendale Community College

Pat Plocek
Richland College

Richard Randolph
Johnson County Community
College

James Reinemann
College of Lake County

Robert Smoot
Northern Virginia Community
College

Philip Weatherford
Embry-Riddle Aeronautical
University

Charles Woodfill
Franklin University

Larry Zigler
Highland Community College

We believe that an important, but often overlooked, part of the review process is to have the specialized functional areas reviewed. We called on our colleagues at the University of Nebraska in the Departments of Finance (Richard A. DeFusco, Manfred D. Peterson, and Thomas S. Zorn), Economics (Campbell R. McConnell), Marketing (Ronald D. Hampton), Accounting (Thomas E. Balke), and Computers (Krish Muralidhar) to review chapters in their areas of expertise. Gerry Welch, of St. Louis Community College–Meramec, also reviewed the economics appendix. We thank these individuals for the considerable time and effort they gave to us. Interestingly, without exception, they also thanked us for the opportunity to make sure that what was being said in their area of an introductory business text was indeed current and correct.

We would like to acknowledge the dedication, support, and expertise provided to us by the Dryden team. This starts at the top with the leadership of Bill Schoof and our two editors, who have put a lot of heart and hard work into this project, Mary Fischer, Senior Acquisitions Editor, and Jan Richardson, Developmental Editor. We also recognize and would like to thank the help we have received from the rest of the team at various stages. Although there are many who deserve credit, we would like to mention the following: Karen Schenkenfelder in manuscript revisions; Judy Sarwark in the early development stage; Barb Bahnsen, Paula Dempsey, and Alan Wendt in various phases of the production process; Robert Gemin and his marketing staff; and of course, the field sales force who, in the final analysis, represent our book.

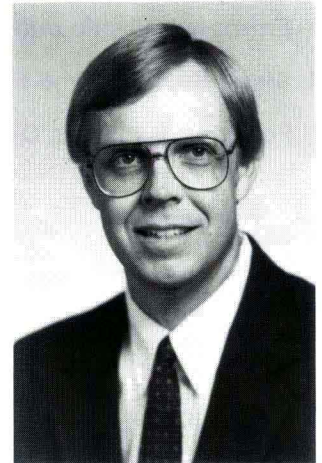
Closer to home, we would like to thank the secretarial/word processing support provided by Joyce Anderson, Cathy Jensen, and especially Cheryl Buckridge. Last, but by no means least, we want to thank our families for giving us the time and creating a supportive climate that allowed us to do the best that we could do.

Fred Luthans
Richard M. Hodgetts
September 1988

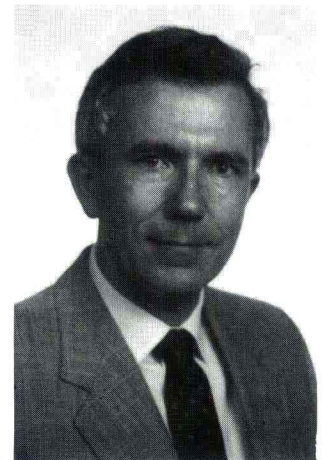
About the Authors

Fred Luthans and Richard Hodgetts bring a well-rounded combination of teaching, writing, and business experience to this text. Each has been teaching business courses for over 20 years, and each has written several successful textbooks. They coauthored with Kenneth Thompson *Social Issues in Business* and, with Stuart Rosenkrantz, wrote *Real Managers*, which has been acclaimed as the most comprehensive study on how successful and effective managers spend their time. They are actively involved in Wal-Mart's management training program.

Fred Luthans is the George Holmes Distinguished Professor of Business at the University of Nebraska–Lincoln, with a Ph.D. and MBA from the University of Iowa. In 1986 he won the University of Nebraska Distinguished Teaching Award. He has been a visiting scholar at a number of colleges and universities and has lectured in Europe, Japan, Korea, Mexico, the National Republic of China, the People's Republic of China, and Singapore. Besides his extensive training and consulting work with many local and regional businesses, he has worked with a number of national organizations, including Western Electric, Brunswick, Hormel, Blue Cross/Blue Shield, Metromail, U.S. Savings and Loan League, and the F.D.I.C. He has been president of the Academy of Management and is one of the few professors who are fellows of both the Academy of Management and the Decision Sciences Institute. Professor Luthans serves as a consulting editor for the McGraw-Hill Management Series. He is the author of *Organizational Behavior*, fifth edition, coauthor with Robert Kreitner of *Organizational Behavior Modification*, which won the American Society of Personnel Administration Association Award for outstanding contribution to human resource management, and author of several other texts.



Richard M. Hodgetts is a professor of business at Florida International University, with a Ph.D. from the University of Oklahoma and an MBA from Indiana University. He has been named an outstanding teacher of the year twice, at both the University of Nebraska and Florida International University, most recently in 1988. He has lectured in Mexico, Venezuela, Jamaica, Peru, Denmark, Kuwait, and many U.S. colleges and universities. He has worked with Burger King, Exxon International, CIGNA Dental, Eastern Airlines, the government of Kuwait, and the revenue department of Mexico, among many others. Professor Hodgetts is a fellow of the Academy of Management and serves on the review boards of five journals. He is the author of *Modern Human Relations at Work, Management: Theory, Process, and Practice*, coauthor with Donald Kuratko of *Entrepreneurship*, and author of several other texts. He also writes a weekly column on small business and entrepreneurship for the *Ft. Lauderdale News and Sun Sentinel*.



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