

An Introduction to Business

Business in Action



2d
EDITION

BITTEL
BURKE
LaFORGE

Business in Action

An Introduction to Business

Second Edition

LESTER R. BITTEL

*Professor of Management
School of Business
James Madison University*

RONALD S. BURKE

*Adjunct Professor
Lord Fairfax Community College*

R. LAWRENCE LaFORGE

*Associate Professor of Management
College of Commerce and Industry
Clemson University*

Gregg Division/McGraw-Hill Book Company

New York Atlanta Dallas St. Louis San Francisco

Auckland Bogotá Guatemala Hamburg Lisbon

London Madrid Mexico Montreal New Delhi Panama Paris

San Juan São Paulo Singapore Sydney Tokyo Toronto

Sponsoring Editor: Lawrence H. Wexler
Editing Supervisor: Sharon E. Kaufman
Design and Art Supervisor/Cover and Interior
Design: Karen Tureck
Production Supervisor: Frank P. Bellantoni

Cover Art: Iversen Associates
Pictograph Artist: David R. Thurston
Charts and Graphs: Steve Burnett Inc.

**LIBRARY OF CONGRESS CATALOGING IN
PUBLICATION DATA**

Bittel, Lester R.
Business in action.

Includes index.

- 1. Business enterprises—United States.*
 - 2. Industrial management—United States.*
- I. Burke, Ronald S. II. LaForge, R.*
Lawrence. III. Title.

HF5343.B57 1984 658 83-18687
ISBN 0-07-005515-7

BUSINESS IN ACTION, Second Edition

Copyright © 1984, 1980 by McGraw-Hill, Inc. All rights reserved. Printed in the United States of America. Except as permitted under the United States Copyright Act of 1976, no part of this publication may be reproduced or distributed in any form or by any means, or stored in a data base or retrieval system, without the prior written permission of the publisher.

5 6 7 8 9 0 VNHVNH 8 9 0 9 8 7

ISBN 0-07-005515-7

The second edition of *Business in Action* introduces the subject of business to the student by creating a learning system that includes a clearly written text organized to make it easier for students to grasp basic business concepts and the option of a unique simulation/workbook supplement that gives students the opportunity to apply theory to practice by becoming involved in a simulated model of a business and its interrelated economic, social, and legal-political environment.

Significant changes are introduced with the second edition of the text and its ancillary components:

- The textbook is fully comprehensive. It presents a complete and up-to-date picture of today's business world.

- A new functional and colorful design assists students in their study of business. A color-coding system (explained later in this Preface) reinforces the self-outlining heading structure of the text, making it easier for students to identify the key points in their reading.

The new business magazine look and format of the text, with its modern three-dimensional diagrams, charts, and graphs, is designed to engage students in the study of contemporary business and absorb them in the learning process.

- The treatment of basic economic concepts has been expanded and there is a new chapter on "Operating a Small Business."

- Many of the "Action Briefs," which are examples of business practices, are new, as are nearly all the "Issues & Highlights" readings, which focus on thought-provoking, business-related issues.

- Each chapter contains two case studies, called "Case Critiques." These supplement a rich and varied assortment of end-of-chapter materials.

- The pedagogical design and program format give instructors greater flexibility in choosing a method and approach to teaching the introductory business course.

- New computer software, which capitalizes on the natural interest and curiosity of students in franchising, is now available.

A Flexible Teaching-Learning System

The *Business in Action* program offers a flexible, adaptive approach to the study of business.

The textbook can now be used alone as an independent study resource. It can also be used with the student supplement, the *SSweetco: Business Model and Activity File for Business in Action*, Second Edition. (SSweetco is the tradename of an imaginary, but realistic company, the Shenandoah Sweets Company, which is the core element of the student supplement.)

The uniquely designed textbook is especially easy to read and comprehend. Each chapter systematically enumerates and links together its vital highlights, learning objectives, and major descriptive sections in an easy to follow self-outlining structure. Extensive business examples, case studies, and end-of-chapter review questions, make this textbook, by itself, a complete and well-rounded teaching-learning resource.

Many instructors, however, choose to supplement text instruction with the *SSweetco: Business Model and Activity File*. The *SSweetco* supplement provides an opportunity for students to extend and reinforce their study. The assignments and activities in *SSweetco*, alone, provide a rich variety of problems and projects to test student comprehension of terminology and concepts. However, when the *SSweetco* material is used as a simulated model of a business, it enriches student learning by enabling students to carry out the tasks of a number of career role models in fields such as marketing, management, finance, accounting, data processing, and the like. This gives students a more realistic picture of business activity and the career paths open to them.

An extensive *Course Management Guide and Instructional Resource* clearly shows how the text can be used independently or how the text and the student supplement can be combined by the instructor to create a unified and mutually supportive learning system. The resultant course design is thus highly flexible and uniquely appropriate to the instructor's professional skills and his or her course objectives.

A Business Point of View

Business is good for the United States, just as the United States has been good for business. The textbook emphasizes how business operates in the American environment. With minimal editorializing, the text presents facts for the student to examine. Business is shown for what it is and how it functions, without apology or censure.

The text is comprehensive in its coverage. A broad range of areas has been treated, as the con-

tents and index bear out. The literature of business has been carefully researched and distilled. Subject topics are presented in logical sequence. The functions of marketing, production, and finance precede the discussion of accounting controls and other more specific, complex, or advanced business activities. A new chapter on "Operating a Small Business" is introduced midway in the text. It provides operational insights into those activities that must receive immediate attention from small business operators. The instructor may, of course, introduce the small business chapter earlier in the course, immediately following Chapter 4 on "The Legal Forms of Business Ownership." In any event, small business is given thorough attention, and numerous examples of small businesses in action are integrated throughout.

The text also has a fundamentally practical orientation. It presumes that students need to know, and want to improve their understanding of, how business in the United States really works. Approaches that have worked well in business operations and those that have not are examined. To aid students who wish to prepare for the best kind of employment they can find in the business world, an updated Appendix, "Exploring Careers in Business," and other materials are included. These materials give students a fair picture of business career options, pointing out both the areas of opportunity and the less promising aspects of business.

Textbook Features

Each chapter of the textbook integrates a set of learning devices that promote an understanding of how business operates.

Pictographs. Pictographs are previews, or advance summaries, of the chapter presented in pictures and words. They are used to simplify and speed up the absorption of complex ideas. Similar illustrations are widely used in news magazines, such as *U.S. News and World Report*, to convey ideas readily and save readers precious time.

Key Terms. Significant terms are highlighted in boldface italic at their point of definition in the textbook. They are also listed at the end of each chapter with convenient cross-references to the pages where they are defined.

Tables and Figures. Tables presenting arrays of data and figures that illustrate concepts and ideas are widely used throughout the text.

Action Briefs. Short anecdotes are interspersed in the margins of the text, providing a representative sampling of business practices, commendable or otherwise. There are over 100 Action Briefs throughout the text; most are new to this edition.

Issues & Highlights. These readings, which occur in each chapter, are based mainly on current events. They focus primarily on thought-provoking, business-related social issues and aim to stimulate students to form their own opinions about those issues.

Key Concepts. At the end of each chapter, the ideas presented in the pictographs and main headings are summarized. Here again, the concepts are keyed by number to the pictographs, objectives, and the major text headings—a system that helps link all the learning elements together.

Review Questions. Each chapter concludes with a list of questions testing students' understanding of text material.

Case Critiques. Each chapter is supplemented with two documented and/or hypothetical case studies illustrating practical applications of key concepts and key terms. These case studies are designed to encourage students to develop critical judgments in assessing business actions.

Following a step-by-step procedure recommended in the student study guidelines (see page xi), and making maximum use of the textbook's unique "three-part linked learning system" (also described in the study guidelines), students can utilize these features in a systematic and coordinated way to more easily learn the basic concepts presented.

The Optional SSweetco: Business Model and Activity File Supplement

SSweetco: Business Model and Activity File forms the second—and optional—component of the *Business in Action* teaching-learning system.

The first part of this component is a business model. This is an integrated set of data about a typical business: the Shenandoah Sweets Company (SSweetco), its industry, and its environment. The action takes place in Valleyville, a typical American business community, where a dozen businesses and over twice as many public figures and businesspersons interact daily. However, the action focuses primarily on the creation, operation, and growth of SSweetco, a candy manufacturing and retailing company. The action extends from SSweetco to other businesses in Valleyville—manufacturers, wholesalers, vendors, and the like.

The businesses in Valleyville range in size from an insurance agency owned and operated by one individual and small proprietorships to a fledgling partnership and a large corporation. Students participate in the problems and situations arising from the growth of SSweetco into a corporation (SSWEETCORP) with national and international business aspirations.

Through this business model, students meet 32 personalities carrying out typical business functions. They also observe representatives of federal and local government agencies and consumer and public interest groups as they monitor the business community.

Immediately following the business model is the second part of the SSweetco supplement: student activities and exercises that correspond to each chapter of the textbook. These assignments are based on the integrated set of data provided by the business model. They provide a specific, practical way for students to check their understanding of the principles presented in the text. At the first level of achievement (application), students are challenged with specific problems requiring calculations, selection of appropriate terminology, completion of typical business forms, and manipulation of data. At the second level of achievement (analysis and interpretation), students actually assume the roles of one of 32 career models. They solve both routine and complex problems and participate in realistic case studies in dozens of settings involving many kinds of businesses.

A third and new part of the SSweetco supplement is a special section, "The Donut Franchise: A Microcomputer Simulation," with student materials for an easy-to-use microcomputer simu-

lation. These student materials can be used in conjunction with available software (a floppy disk) to further extend student involvement and simulate real world business experiences in the classroom.

Consequently, instructors who choose to adopt the *SSweetco: Business Model and Activity File* may use its learning resources in three possible ways:

- It may be used as a workbook and study guide for selected problems and projects.
- It may be used as a comprehensive experiential model for maximum student involvement in the learning process and identification with work in the business world.
- At the instructor's option, a special section can be used in combination with disk software as a vehicle for creating a microcomputer simulation, which can provide an added dimension of "reality" to the classroom study of business.

The Donut Franchise: A Microcomputer Simulation

This software has been created by Chad T. Lewis and Philip C. Lewis. The setting for the simulation is a chain of donut shops, which SSweetco has acquired and franchised at a point when the firm becomes SSWEETCORP and is in the process of diversifying its product line. Students make key decisions in the following areas for the donut shops they operate: marketing (advertising/pricing), ordering, equipment purchases, financial, and personnel. The story of SSWEETCORP's acquisition of the donut shop franchise, the directions for student play, and the planning and decision forms that they need to organize and input data for microcomputer processing are to be found beginning on page A-1 of *SSweetco*.

Through this short simulation, groups of students can compete against one another (and even against the instructor operating a company-owned, rather than a franchised, donut shop) to return the largest profit to the parent company. Results of their decisions, including information about profitability, are fed back to students in the form of financial statements for their evaluation and help in further decision making.

For easy classroom management, the micro-

computer simulation is instructor-administered and contains self-correcting features. The instructor can therefore control the pacing of the simulation and when and how it is used for instruction. For example, it can be used after select units of the text to reinforce specific topics and concepts covered in those units. Or, if the instructor chooses, it can be used as a culminating activity for the entire course to illustrate how marketing, production and operations, financial, and personnel decisions have an interrelated impact upon business activity.

Operation of the microcomputer requires the separate order of a single floppy disk. An accompanying user's guide provides step-by-step instructions for class management and procedures for running the software. Versions of the software are compatible with a number of popular microcomputer machines.

Course Management Guide and Instructional Resource

The *Course Management Guide and Instructional Resource* provides all the resources that an

instructor needs to successfully implement the *Business in Action* program. Included are:

- General course management suggestions.
- Time schedules for courses of varying length.
- Detailed lesson management strategies for each chapter.
- An audiovisual guide.
- Readings for student enrichment.
- Additional recommended student projects and assignments.
- Two tests banks with 1,500 objective-type items to choose from.
- Transparency masters.
- Keys to all textbook exercises, *SSweetco* activities, and test questions.

This softbound manual, organized in a convenient chapter-by-chapter format, is among the most useful of the instructional support materials available for any introductory business course.

Lester R. Bittel
Ronald S. Burke
R. Lawrence LaForge

To the Student

Guidelines

for Study With

Business in Action

The following steps constitute an effective way to study the materials in each chapter. *The key to effective study is making maximum use of the numbers that identify each pictograph, objective, major text heading, and key concept.* If you are not already familiar with these features, you should read the discussion of "Textbook Features" starting on page viii of the Preface.

Step 1: Study the pictograph. Spend two or three minutes to be sure you get the whole picture. Then read the learning objectives that precede each chapter.

Step 2: Now skim through the entire chapter reading only the main headings and subheadings. They should be easy for you to pick out. The main headings are underscored by a blue rule; the subheadings by a green rule.

These headings provide a self-outlining structure for each chapter. They reinforce and extend the ideas presented in the pictograph. (These headings also may be used as your outline framework for any notetaking from the text.)

Step 3: Read the Key Concept summaries and glance at the list of key terms at the end of the chapter. Be alert for definitions of these terms as you read the chapter.

These first three steps, which make up a "three-part linked learning system," will help you quickly summarize the basic concepts in a chapter by skimming it in about 10 to 15 minutes. You are now prepared to read the chapter for details that will help you flesh out the Key Concepts.

Step 4: Read the chapter carefully for detail. Keep notes of important facts. Write down the definition of any terms that are necessary for understanding the topics under discussion. Key terms are in boldface italic for ease of identification.

As you read each chapter for detail, be certain to study each table and figure to be sure of its meaning. Also read the "Action Briefs" in the margins of the text to get a feel for what actually occurs in business as opposed to what ought to happen. Read each "Issues & Highlights" feature as it occurs, then form an opinion by answering the questions that follow the reading.

Step 5: Answer the Review Questions. It is a good idea to make a note of the pages on which the answer appears.

Step 6: Read each of the Case Critiques. Try to make a connection between what has occurred in the cases and what you have just read in the text. Answer the questions associated with each case.

Continue with the next two steps only if your instructor has assigned material from the student supplement, SSweetco: Business Model and Activity File for Business in Action, Second Edition.

Step 7: If your instructor has included the SSweetco supplement in your course materials, move to the corresponding chapter in the activities section of SSweetco: Business Model and Activity File. Read the performance objectives that precede the two levels of achievement. Then answer the exercises and activities for the first level of achievement, the "Application Level."

Step 8: Proceed to the next, higher level of achievement, "Analysis and Interpretation," by completing the decision-making and case problem assignments.

Rigorous follow-through on these study procedures will lead to good study habits that should have a positive effect on what you learn in this introductory business course.

Acknowledgments

The authors would like to offer thanks and acknowledgment to the following individuals in the academic ranks who served as reviewers or consultants either for the first edition or this revision. Their ideas and suggestions have profoundly shaped the pedagogy, format, features, and content of the text and the varied components of the Business in Action teaching-learning system.

Special thanks are extended to Pavey L. Hoke, director of the learning laboratory of Lord Fairfax Community College, and Gwendolyn L. Smith, assistant professor of business administration at Norfolk State University. Professor Hoke prepared the original glossary for the textbook. Professor Smith offered her expertise in refining the assignment materials in the SSweetco: Business Model and Activity File and made some significant contributions to the development of the Course Management Guide and Instructional Resource.

Finally, the authors would be remiss if they did not recognize the creative efforts of Philip C. Lewis and Chad T. Lewis, developers of "The Donut Franchise: A Microcomputer Simulation." Their materials correlate with, and help to reinforce, many of the basic concepts presented in the Business in Action program.

*Patricia G. Bounds
James H. Faulkner State Junior
College*

*Lloyd Brooks
Memphis State University*

*Clifford Butje
Suffolk Community College*

*Archibald B. Carroll
University of Georgia*

*Andrea Colangelo
The Berkeley School*

*Lydia C. Conklin
The Heald Colleges*

*Richard Crowe
Hazard Community College*

*Les R. Dlabay
Lake Forest College*

*Carol Eakle
Katherine Gibbs School*

*Robert M. Fishco
Middlesex County (New Jer-
sey) College*

*Philip E. Gover
Spoon River College*

*Roberta Greene
Central Piedmont Community
College*

*David E. Greenrich
Waukesha Technical Institute*

*Pavey L. Hoke
Lord Fairfax Community Col-
lege*

*David A. Huddleston
Lurleen B. Wallace State Ju-
nior College*

Edwin D. Johnson
Parkersburg Community College

Van Johnson
Midland (Texas) College

William Jordan
Community College of Allegheny County (Boyce Campus)

Judy Khaner
Sawyer Business College

Bernard M. Kaplan
J. Sargeant Reynolds Community College

Carole Kaplan
The Berkeley School

Allen D. Kartchner
Utah State University (Logan)

Timothy R. Keeley
Tacoma Community College

George Kelley
State University of New York (Erie Campus)

Phyliss Kennedy
Highline Community College

Charles H. LaClair
Cochise College

Jerre J. Lewis
Kirtland Community College

Mason Linkous
National Business College

Connie B. Morrow
Midstate (Illinois) College

Paul Miller
Somerset Community College

Howard Newhouse
The Berkeley School

John D. Reck
Mt. San Antonio College

Douglas Richardson
Eastfield (Texas) College

Wallace J. Richardson
Lehigh University

Karl C. Rutkowski
Pierce Junior College

Rafael Santos
Imperial Valley College

Gwendolyn L. Smith
Norfolk State University

James N. Smith
Wallace Community College

Margaret E. Sprencz
Lorain County Community College

Val Stauffer
Dixie College

Elizabeth Strenkowski
The Bradford School

Richard P. Swanson
Phillips College

Maryann S. Taliaferro
Elizabeth Brant School

Michael P. Violtt
Robert Morris College

Geraldine Weissman
Monroe Business Institute

Charles Wetzel
Milwaukee Area Technical College

Harvey P. Wiley
Midstate (Illinois) College

Contents

PREFACE vii	
TO THE STUDENT xi	
ACKNOWLEDGMENTS xiii	
CHAPTER 1 THE BUSINESS SYSTEM IN THE UNITED STATES 2 1 The Business Enterprise 4 2 Values 6 3 The Business Process 8 4 Kinds of Businesses 9 5 The Dynamics of Business 11 6 American Business History 14	Unit 1 The Nature of American Business 1
CHAPTER 2 THE AMERICAN ECONOMIC SYSTEM 18 1 Features Common to All Systems 20 2 The Law of Supply and Demand 22 3 The Private Enterprise System 24 4 Modified Capitalism 27 5 Socialism and Communism 28 6 Economic Measurements 30	
CHAPTER 3 THE AMERICAN BUSINESS ENVIRONMENT 38 1 Systems and the Environment 40 2 The Economic Environment 41 3 The Legal-Political Environment 43 4 The Social-Cultural Environment 45 5 The Physical Environment 49	
CHAPTER 4 THE LEGAL FORMS OF BUSINESS OWNERSHIP 54 1 Private Versus Public Ownership 56 2 Forms of Business Ownership 56 3 Sole Proprietorship 58 4 General Partnership 60 5 Corporation 61 6 Choice of Ownership Form 64 7 Other Forms of Business 65	Unit 2 The Form and Structure of American Business 53
CHAPTER 5 MANAGERIAL FUNCTIONS IN A BUSINESS 74 1 Management Defined 76 2 Management as Art and Science 77 3 Approaches to Management 78 4 Management Functions 79 5 Characteristics of Good Managers 83	
CHAPTER 6 INTERNAL STRUCTURE OF BUSINESS ORGANIZATIONS 88 1 Organization Defined 90 2 Formal and Informal Organization 90 3 Allocation of Work 91 4 Delegation 92 5 Principles of Organization 94 6 Typical Organization Structures 96	

<p>CHAPTER 7 MARKETS AND MARKETING 106 1 The Marketing Concept 108 2 Marketing Elements 108 3 Markets 109 4 Product Planning 114 5 Product Pricing 115 6 Functions of Marketing Managers 117 7 Marketing Segmentation and Market Research 120</p>	<p>Unit 3 Basic Business Operations—</p>
<p>CHAPTER 8 MARKETING DISTRIBUTION SYSTEMS 124 1 Purpose of Distribution Systems 126 2 Distribution Channels 127 3 Wholesalers 131 4 Retailers 132 5 Physical Distribution Strategies 134 6 Modes of Transportation 135</p>	<p>Marketing 105</p>
<p>CHAPTER 9 MARKETING PROMOTION 142 1 The Function of Marketing Promotion 144 2 Promotion Objectives 145 3 Personal Selling 147 4 Advertising Principles 149 5 Advertising Media and Selection 152 6 Sales Promotion 154 7 Advertising and the Public 155</p>	
<p>CHAPTER 10 LOCATION, LAYOUT, AND MANAGEMENT OF FACILITIES 162 1 Location of Facilities 165 2 Kinds of Business Processes 167 3 Equipment and Technology 171 4 Physical Layout of Processing 173 5 Management of Production or Operations 174</p>	<p>Unit 4 Basic Business Operations—</p>
<p>CHAPTER 11 PRODUCTION MATERIALS MANAGEMENT 182 1 Purpose and Scope 184 2 Production Planning and Control 185 3 Industrial Purchasing 190 4 Inventory Control 193 5 Materials Movement and Handling 195</p>	<p>Production and Small Business 161</p>
<p>CHAPTER 12 OPERATING A SMALL BUSINESS 198 1 Small Firms Do Everything Large Firms Do 200 2 A Special Kind of Individual Prevails 202 3 Each Kind of Operation Has Its Distinct Challenge 204 4 Financial Literacy Is Essential 208 5 The Government Tries to Help 212</p>	
<p>CHAPTER 13 FINANCIAL MANAGEMENT AND FUNDING 218 1 Financial Planning for Businesses 220 2 Sources of Funds for Business 223 3 Equity Versus Debt Financing 224 4 Short-Term Debt Financing 225 5 Long-Term Debt Financing 228 6 Long-Term Equity Financing 232</p>	<p>Unit 5 Basic Business Operations— Finance 217</p>

<p>CHAPTER 14 MONEY SUPPLY AND FINANCIAL INSTITUTIONS 240</p> <p>1 Money: The Basic Means of Exchange 242 2 The American Banking System 246 3 Buying and Selling Securities 252 4 Financial News Reports 257 5 Regulation of Stock and Bond Sales 259</p>	
<p>CHAPTER 15 RISK, INSURANCE, AND CREDIT MANAGEMENT 264</p> <p>1 Risk 266 2 Risk Management 269 3 Insurance 270 4 Types of Insurance Coverage 271 5 Credit Management 279</p>	
<p>CHAPTER 16 PERSONNEL MANAGEMENT 286</p> <p>1 Work Force Planning 288 2 Managing the Employment Process 291 3 Training and Developing Personnel 293 4 Coordinating and Recording Job Changes 296 5 Assuring Safety and Health Maintenance 297 6 Designing and Supervising Compensation Programs 299 7 Administering Employee Benefits 302</p>	<p>Unit 6</p> <p>Basic Business Operations—</p> <p>Human</p>
<p>CHAPTER 17 HUMAN RELATIONS IN BUSINESS 306</p> <p>1 Humanizing Forces in the Environment 308 2 Needs, Motivation, and Human Behavior 311 3 Managers and Motivation 313 4 Managers and Leadership 314 5 The Effect of the Work Itself 316 6 Communication With Employees 320</p>	<p>Resources 285</p>
<p>CHAPTER 18 LABOR-MANAGEMENT RELATIONS 324</p> <p>1 Makeup of the Labor Force 327 2 History of U.S. Organized Labor 329 3 Types of Labor Unions 330 4 The Collective Bargaining Process 331 5 Labor Disputes and Their Settlement 335 6 Landmarks of Labor-Management Legislation 339</p>	
<p>CHAPTER 19 INFORMATION SYSTEMS, DECISION MAKING, AND PLANNING 344</p> <p>1 Management Information Systems (MIS) 346 2 Data Processing Systems 348 3 Managerial Decision Making 349 4 Decision-Making Techniques 351 5 Business Planning 354 6 Plans and the Planning Process 355</p>	<p>Unit 7</p> <p>Basic Business Operations—</p> <p>Information</p>
<p>CHAPTER 20 ACCOUNTING FOR MANAGERIAL AND FINANCIAL CONTROL 360</p> <p>1 The Accounting Process 362 2 Uses of Accounting Information 364 3 Accounting Principles 364 4 Cost Accounting Practices 368 5 Balance Sheet 371 6 Income Statement 373 7 Statement of Changes in Financial Position 375 8 Interpretation of Financial Statements 375</p>	<p>and</p> <p>Controls 343</p>

<p>CHAPTER 21 BUSINESS FORECASTS AND BUDGETS 382</p> <p>1 Business Forecasts 384 2 Forecasting Techniques 387 3 Budgets 389 4 Types of Budgets 390 5 Fixed or Flexible Budgets 394 6 Budget Variance Reports 396</p>	
<p>CHAPTER 22 FORMATION AND MANAGEMENT OF CORPORATIONS 400</p> <p>1 The Corporate Form of Business 402 2 Formation of Corporations 403 3 Going Public 405 4 Stockholders and the Corporation 406 5 Growth of Large Corporations 408 6 Are Big Corporations Good for the United States? 412</p>	<p>Unit 8</p> <p>Advanced Business Operations 399</p>
<p>CHAPTER 23 INTERNATIONAL BUSINESS 418</p> <p>1 What Makes Business International? 420 2 Influences on a Nation's Ability to Trade 422 3 How Companies Trade and Operate Internationally 424 4 Obstacles to International Business 426 5 Multinational Companies 430 6 International Cooperation in Trade 431</p>	
<p>CHAPTER 24 USE OF TECHNOLOGY, STATISTICS, AND COMPUTERS IN BUSINESS 436</p> <p>1 Technology 438 2 Statistics in Business 440 3 Descriptive Statistics 441 4 Inferential Statistics and Other Quantitative Methods 444 5 Computer Systems 447 6 Computer Applications 453</p>	
<p>CHAPTER 25 GOVERNMENT REGULATION, TAXATION, AND LAW 460</p> <p>1 Government Regulation of Business 462 2 Taxation 467 3 Business Law 470 4 General Relationships 477</p>	<p>Unit 9</p> <p>Societal Influences on Business 459</p>
<p>CHAPTER 26 ETHICAL BEHAVIOR AND SOCIAL RESPONSIBILITY 482</p> <p>1 Ethical Behavior 484 2 Attitudes and Expectations 485 3 Power Groups 488 4 Business Response 489 5 Current and Continuing Problems 491</p>	
<p>APPENDIX EXPLORING CAREERS IN BUSINESS 499</p> <p>1 Transition Into Business 499 2 A Choice of Two Directions 500 3 Getting a Job 505 4 Holding a Job 507</p>	
<p>GLOSSARY 510</p>	
<p>INDEX 520</p>	

Unit 1

The

Nature of

American

Business

Unit 1 establishes what American business is all about. It lays the groundwork for understanding how an idea or a concept can be translated into a viable product or service for sale in the marketplace.

Business is a creative, competitive activity that has always played an important part in shaping American society. By satisfying needs and wants people cannot satisfy themselves, business improves the quality of their lives.

The purpose of business is to combine resources such as land, labor, and capital in a way that will make them more valuable. Operating in a political and economic climate that supports individual rights, American business has as its guiding principle the right to private ownership and profit.

Business today faces the challenge of adapting itself to the rapid changes occurring in both our social and physical environments.

Chapter 1

The Business System in the United States

1 DEFINITION

Business is an activity that satisfies human needs and wants by providing goods and services for private profit.

busi-ness
en-ter-prise

2 VALUES

Business provides individuals and society with . . .

Means of exchange
Wealth
Employment



3 PROCESS

Business processes convert input resources—by creating or adding utility of form, place, time, or possession—into more valuable outputs or end products.

